City Council as Shareholder of Guelph Junction Railway

Meeting Agenda

Monday, June 18, 2018 – 5:30 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street
Please turn off or place on non-audible all electronic devices during the meeting.

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Open Meeting: – 5:30 p.m.

Disclosure of Pecuniary Interest and General Nature Thereof

Confirmation of Minutes:

That the minutes of the June 28, 2017 Guelph Junction Railway Annual General Meeting be approved.

GJR-2018.1 GJR Annual Report to the City

Presentation:
Ian Brown, Chair, Guelph Junction Railway Limited

Recommendation:
That the 2017 Guelph Junction Railway Annual Report be received.

GJR-2018.2 CFO Report - 2017 Audited Financial Statements

Recommendation:

1. That the report from the CFO in respect of the 2017 Financial Statements be received.

2. That the 2017 dividend payment in the amount of $100,000 from Guelph Junction Railway Limited to its Shareholder, The Corporation of the City of Guelph, be received.

3. That the Audited Financial Statements of Guelph Junction Railway Limited for the year ended December 31, 2017 be received.

GJR-2018.3 Appointment of Auditor

Recommendation:

1. That the recommendation of the Guelph Junction Railway Board of Directors regarding the appointment of the auditors for Guelph Junction Railway be received.

2. That KPMG LLP are appointed as auditors for Guelph Junction Railway Limited for its 2018 fiscal year.

Adjournment

Minutes of Guelph City Council as Shareholder of Guelph Junction Railway Held in the Council Chambers, Guelph City Hall on Wednesday, June 28, 2017 at 5:03 p.m.

Attendance

Council:	Mayor Guthrie	Councillor D. Gibson
	Councillor P. Allt	Councillor J. Hofland
	Councillor B. Bell	Councillor L. Piper
	Councillor C. Billings	Councillor M. Salisbury
	Councillor C. Downer	Councillor K. Wettstein

Absent: Councillor J. Gordon
Councillor M. MacKinnon
Councillor A. Van Hellemond

Staff: Mr. D. Thomson, CAO
Mr. T. Lee, Deputy CAO of Corporate Services
Mr. S. Stewart, Deputy CAO of Infrastructure, Development and L. Enterprise
Mr. L. Petroczi, Manager of Guelph Junction Railway
Mr. C. Cooper, City Solicitor/General Manager, Legal & Realty Services
Ms. T. Agnello, Deputy City Clerk
Ms. D. Black, Council Committee Coordinator

Council as Shareholder of Guelph Junction Railway

Disclosure of Pecuniary Interest and General Nature Thereof

There were no disclosures.

Confirmation of Minutes

1. Moved by Councillor Gibson
Seconded by Councillor Hofland

That the minutes of the June 27, 2016 Guelph Junction Railway Annual General Meeting be approved.

Voting in Favour: Mayor Guthrie, Councillors Allt, Bell, Billings, Downer, Gibson, Hofland, Piper, Salisbury and Wettstein (10)
Voting Against: (0)

Carried

GJR.2017.4 GJR Annual Report to the City

Presentation
Ian Brown, Chair, Guelph Junction Railway Board of Directors, provided highlights of the 2016 Guelph Junction Railway Limited Annual Report.

Les Petroczi, Manager of Guelph Junction Railway, advised that the trains are able to move faster and carry heavier loads. due to the improvements on the rail line

GJR-2017.1 CFO Report re: 2016 Audited Financial Statements
GJR-2017.2 Appointment of Auditors
GJR-2017.3 Re-appointment of Independent Board Member

2. Moved as Amended by Councillor Piper
Seconded as Amended by Councillor Bell

1. That the report from the CFO in respect of the 2016 Financial Statements be received.

2. That the Audited Financial Statements of Guelph Junction Railway Limited for the year ended December 31, 2016 be received.

3. That the recommendation of the GJR Board of Directors regarding the appointment of auditors for GJR be received.

4. That KPMG LLP are appointed as auditors for Guelph Junction Railway Limited for its 2017 fiscal year.

5. That the following individual is re-appointed as an independent member of the Board of Directors of GJR for a two year term commencing June 28, 2017 and ending at the AGM to be held in June, 2019:
   Richard Puccini

6. That the 2016 GJR Annual Report be received.

Voting in Favour: Mayor Guthrie, Councillors Allt, Bell, Billings, Downer, Gibson, Hofland, Piper, Salisbury and Wettstein (10)
Voting Against: (0)

Carried

Announcements

Derrick Thomson, CAO introduced and welcomed Christopher Cooper, City Solicitor and General Manager of Legal and Realty Services.

Adjournment (5:14 p.m.)

3. Moved by Councillor Hofland
Seconded by Councillor Piper

That the meeting be adjourned.

Carried

Minutes to be confirmed at the June 2018 Guelph Junction Railway Annual General Meeting.

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Mayor Guthrie

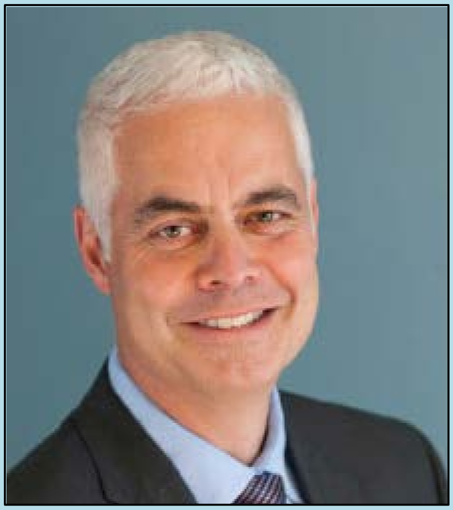
____
Tina Agnello – Deputy Clerk

ANNUAL REPORT TO THE SHAREHOLDER FOR 2017

GUELPH JUNCTION RAILWAY LIMITED

CHAIR'S MESSAGE TO THE SHAREHOLDER:

The Board of Directors is pleased to present the 2017 Annual Report for Guelph Junction Railroad Limited.



Ian Brown
Chair, Guelph Junction Railway Ltd.

2017 was a record setting year for the Guelph Junction Railway, building on the groundwork of fiscal prudence and infrastructure improvements laid in previous years. Continued growth has now resulted in GJR's highest ever results in the areas of car counts, total revenues, and net profits. The efforts of our general manager and the several city staff providing support service to the GJR are noteworthy.

On the basis of these results, it is my pleasure to report that the GJR Board of directors has declared the first cash dividend to the City since GJR took over the CP lease in 1998, in the amount of $100,000. We are able to declare this dividend, confident that we will continue to provide safe, sustainable, and well maintained rail service on the GJR line.

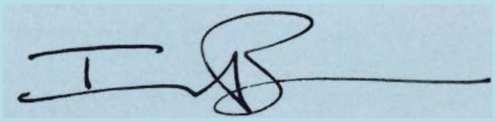
The GJR Board remains strongly committed to the key objectives set out in the Shareholder Declaration that governs the relationship between GJR and the City of Guelph; namely:

- That GJR shall be an economic development tool for the City
- That GJR shall operate as a 'for profit' business, providing value to the City in the form of dividends and other benefits; and,
- GJR shall restrict its business activities to rail related operations.

As a Board we are proud of GJR's connection to the City's history, but we are engaged in ensuring GJR's relevance in the modern economy of the City of Guelph as a valuable service for rail supported industries and an internally sustainable economic development tool for the City that continues to create value for citizens.

In my third year as chair, the Board of Directors has continued to confront challenges in a way that improves the tangible public benefit delivered by the City's rail asset.

Respectfully,



Ian Brown
Chair,
Guelph Junction Railway Ltd.

OUR HISTORY:

GJR was created by a Special Act of the Federal Parliament originally passed in 1884, but the railway has been with the City longer still, with the Grand Trunk Railway (now Canadian National Railway, CNR) having operated in the City since 1852. Early community leaders saw that a locally owned railway connected to the Credit Valley Railway (now the Canadian Pacific Railway, CPR) in Campbellville would provide new access to markets in the west and the United States while breaking the monopoly that railroads typically held over municipalities of the time. By 1910, GJR's founding Act had been amended to allow the City of Guelph to become the sole shareholder.

For over a century, GJR was run by CPR under a lease agreement. Its Board met annually in order to declare a dividend. In 1998, CPR terminated its lease agreement and the City, on behalf of GJR, purchased CPR's remaining real property and track within the City of Guelph. GJR's Board of Directors had to take an active role in overseeing the railway's operations.

Today, GJR operates on 18.5 miles of mainline and 5.2 miles of industrial trackage. Since 1998, Ontario Southland Railway (OSR), a short line railway company, has been sourced as the operational railway to move freight to local industries along the GJR lines. Uniquely connected on two sides to class 1 railway lines (CNR in the northwest industrial basin and CPR in Campbellville). GJR has maintained modest profitability over this time, remaining self-sustaining and able to fund proper maintenance and infrastructure replacement programs.

CORPORATE STRUCTURE:

Corporate Status and Governance:

In 2015, GJR was approved for a continuance under the Federal *Canada Business Corporations Act* in order to allow for a more modern governance structure and to bring clarity to longstanding questions about GJR's place in the complex Canadian railway regulation scheme. Part of this process involved a change in the name of the corporation to Guelph Junction Railway Limited.

The relationship between GJR and its sole shareholder, the City of Guelph, is governed by a shareholder declaration that was updated in 2015. Changes were also made to the board of directors at this time, and additional officers were appointed to support this relationship, and provide better support to the board of directors and GJR's sole employee, its general manager.

As a result of these changes, the new Board of Directors has continued to develop a new strategic framework and direction for the corporation. As this strategic framework is actualized, GJR will be looking to further refine its relationship to the City of Guelph and look to develop a more permanent human resources plan that will clarify and formalize the roles City staff play in supporting the corporation, and ensure accountability to the shareholder through the City's executive team and annual updates like this one.

MISSION, VISION, VALUES:

In order to better serve the City as shareholder, and follow up on changes to the corporate structure of the railroad in a favour of a more modern, business oriented approach, the GJR Board has developed the following statement of Vision, Mission and Values that was adopted in early 2017.

This statement reflects the overarching principles of the GJR's constating documents and will serve as an overarching guide to the Board's decision making as it moves forward into the future.

Our Vision

- To safely capitalize on the efficiency of rail transportation while serving the City of Guelph.

Our Mission

- To focus on building an economically sustainable and socially and environmentally responsible business through safe and efficient operations and excellent customer relations.

Our Values

- Serving and adding value to our clients and community
- Creating business opportunities that increase the use of rail
- Transparency that builds trust and confidence
- Railway safety and operations consistent with best industry practices
- Collaboration with suppliers and clients

STRATEGIC DIRECTION:

In conjunction with the statement of Mission, Vision and Values GJR's Board has adopted the following strategic directions in 2016 and progress is indicated in brackets:

1. Strengthen our organizational capacity and operational infrastructure by creating, executing and managing:
    a. A shared service agreement with the City (complete and implemented)
    b. A staffing plan (interim plan complete)
    c. A board succession plan (pending governance review), and
    d. An asset management plan (partially complete)

2. Increase and diversify revenues through creative partnerships and new sales opportunities (significant revenue increase in 2017 and major new customers identified).

3. Develop a short term business plan that aligns with shareholder priorities (complete).

4. Develop a long term growth plan that will be ready to manage anticipated sector, regulatory environmental change. The plan will reference
    a. The City's future needs around rail (freight and passenger)
    b. The Province's future needs around rail (freight and passenger)
    c. Identify land within and near the City that may be available for rail development (Limited activity in 2017 on long term plan, resource limitations)

5. Connect with our shareholder and stakeholders through strong communications.
    a. Develop a GJR Website to assist with business development and stakeholder communications (web site development underway).

BUSINESS DEVELOPMENT:

GJR provides services to 18 customers, 2 of which provide the majority of the revenue for the corporation. GJR's only competition is the Canadian National Railway (CNR), through Goderich Exeter Railway (GEX), whose activities are limited to the City's Northwest Industrial Park and the connection through the Alma rail yard to the main CN line.

GJR continues to pursue business development as a major focus, and added one new customer in 2017. This new customer was Traxxside, which business had been lost prior to 2016 due to a change in the first class carrier to CNR. Traxxside has changed its first class carrier back to CPR. Opportunities continued to be created with existing customers, resulting in continued increases in overall revenues. 2017 saw the realization of business expansion with its existing customers and new business. This resulted in record car counts in 2017, totalling 4809 cars – representing a total increase in freight traffic of 1124 cars over 2016 (31% increase). By comparison, other short-line railroads averaged a negative 1.50% decrease in 2017, and class I railways averaged a 4.8% increase.

2017	Goodfellow	Danaca	Timber	PDI Bulk Liquids	PDI plastics	PNR	Guelph pole	Traxxside	AOC	Gerdau	TOTAL
Jan	6			137	143		6	36	18		346
Feb	3	5		127	116		5	68	13		337
March	2	2		77	201	2	10	94	15		403
April	5			114	126	1	5	124	18		393
May	5			93	124		5	150	14		391
June	1			121	126		1	136	15		400
July	2			117	180			142	20		461
Aug	5			135	136		1	147	13	5	442
Sept	3			115	131		1	161	19	7	437
Oct	2			156	144			164	17	11	494
Nov	5			90	133	1	2	112	19	6	368
Dec	4			110	102			107	11	3	337
	43	7	0	1392	1662	4	36	1441	192	32	4809

GJR strives to be congruent and complementary with the strategic objectives of the City of Guelph, and seeks to work collaboratively with our Shareholder and customers to build a robust system that ensures fiscal and service sustainability, is attractive for business and provides a safe and environmentally compatible impact to the City of Guelph.

FINANCIAL AND OPERATIONS UPDATE:

Business Update:

The 2017 audited financial statements show an increase in revenues for both freight and non-freight movement over the previous year. These revenues are the highest ever recorded for GJR, and represent a continuing upwards trend in gross revenue, which had also increased in 2015 and 2016.

Guelph Junction Railway Limited
Statement of comprehensive income
year ended December 31, 2017

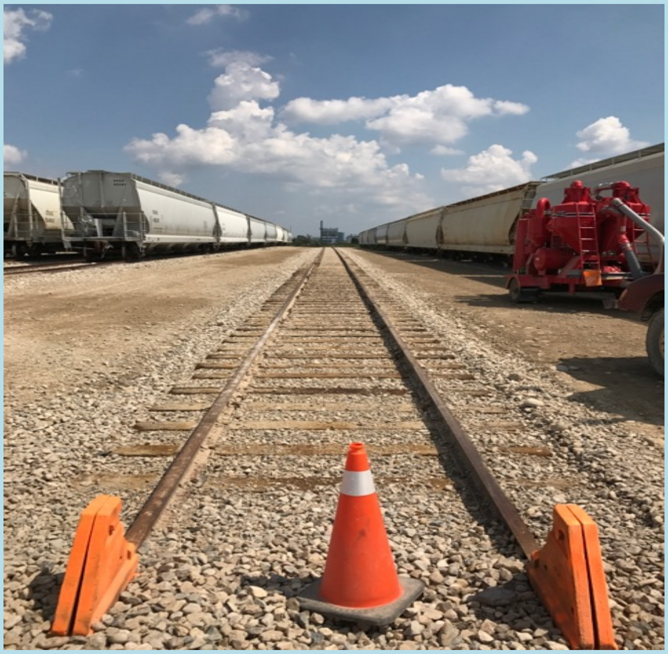
	2017	2016
	$	$
Revenue		
Freight movement	3,273,577	2,464,160
Non-freight movement	842,331	773,756
Amortization of deferred capital contributions	41,102	40,398
	4,157,010	3,278,314
Expense		
Freight movement	2,147,145	1,655,528
Track maintenance	386,620	439,041
Depreciation	322,630	321,911
Administration and office	246,896	242,386
Interest on long-term debt	74,331	89,731
Expropriation costs	13,762	7,974
Business development	-	8,250
Audit & legal	8,000	8,000
	3,199,384	2,772,821
Net comprehensive income for the year	957,626	505,493

GJR had another strong financial year in 2017, reporting a net income of $957 thousand compared to $505 thousand in 2016. The net income for 2017 is considered sustainable and represents a $452 thousand increase over 2016 or a 365 per cent increase from where GJR was in 2014.

In 2017, GJR declared its first cash dividend for its shareholder, the City, in the amount of $100 thousand which represents a positive return for the shareholder.

The remaining income generated in 2017 was reinvested back into the company through capital acquisitions of $732 thousand. GJR operates in a capital intensive industry and management has been focusing on reinvesting in capital infrastructure in order to remain competitive in the future, meet legislative requirements, and ensure the safety of operations. The Board is pleased with the performance of GJR in 2017.

Operations and Capital Maintenance:



Rail operations continue to be managed through OSR under the terms of our operations agreement. The OSR contract was recently extended for a further three year period with an option to renew for another two years. Track maintenance costs saw an overall decrease in 2017. GJR remains responsible for invoicing of third parties, and receives additional revenues from flagging for third parties.

GJR has employed a life cycle approach to its capital maintenance program and identifies infrastructure maintenance priorities annually.

GJR continues to take a careful financial approach, and continues with the recapitalization of infrastructure and pursuit of long range strategic growth objectives. It is a guiding principle of GJR to operate in a safe manner, and in accordance with the requirements of the Shareholder Declaration and Federal transportation regulations.

Federal Rail Safety Grant:

GJR received Transport Canada funding under the Rail Safety Improvement Program (RSIP) of $25,000 in 2017 for a crossing removal at mile 2.75 of the South Industrial Subdivision (Elmira Road). Other projects will remain on the list for 2018 funding.

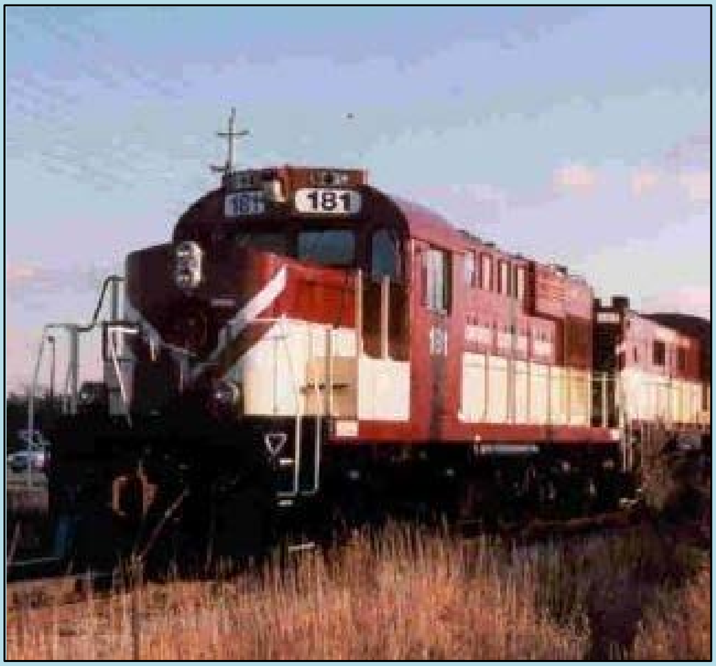
PDI Expansion Project:

In 2016 a partnership to expand service for GJR's primary customer, PDI, was completed. This partnership saw the expansion of a spur line to service PDI's liquid business at Victoria Road South.

Total carloads shipped and received as part of the partnership continued to exceed initial expectations in 2017 resulted in a substantial increase in carloads for this major GJR customer. The cost of this capital project was paid in full by February 2017 utilizing increased non-freight revenues and additional revenues generated from the additional PDI liquid business made possible through the project itself.

DIVIDEND POLICY AND REPORT:

Adoption of Dividend Policy



The GJR Board of Directors approved a dividend policy in December 2016, intended to ensure the strategic growth of GJR while adding growth in shareholder value. This policy is consistent with GJR's strategic direction, and the guiding principles of its current business plan. This policy also recognizes a key overarching principle enshrined in the Shareholder Declaration, that shareholder return and benefits will be measured by several metrics, including dividends, and that a long term strategic view will generally be applied to the measure of shareholder return.

The Dividend Policy states that, subject to all applicable laws, the GJR Board may declare dividends as follows:

1. Regular dividends at a dividend payment rate (DPR) of 0% - 10% of annual Net Income, subject to the "Conditions Precedent to the Payment of Dividends" as defined in Section 2.

2. **Conditions Precedent to the Payment of Dividends:**
   Subject to the determination of the Board in accordance with the GJR's constating documents, dividends will be declared and paid to the extent that such payment would not, in the Board's determination, otherwise cause:
   a) a breach of contract or the immediate or anticipated failure to otherwise meet the terms of financing arrangements;
   b) a material impairment in the operations and maintenance of the assets of GJR
   c) a material impairment in the financial prudence including capital investment in track infrastructure by GJR
   d) a material impairment to service the debt of GJR and the due to/from balance from the City; or

e) a material impairment in the maintenance and growth of GJR's business plan;

(together, the "Conditions Precedent to the Payment of Dividends")

3. In lieu of a dividend, the Board may decide to provide the City with a non-monetary contribution outside of the regular service agreement.

4. Payment of Regular Dividends

Each year, at its meeting to review the preliminary yearend financial statements, the Board may approve an annual dividend (defined herein as a "Regular Dividend" by applying the DPR to current earnings. If such a regular dividend is declared it will, subject to meeting the Conditions Precedent to the Payment of Dividends prior to each payment on account thereof, be recorded in the annual financial statements and recorded by March 31st.

Determination of Dividends for 2017:

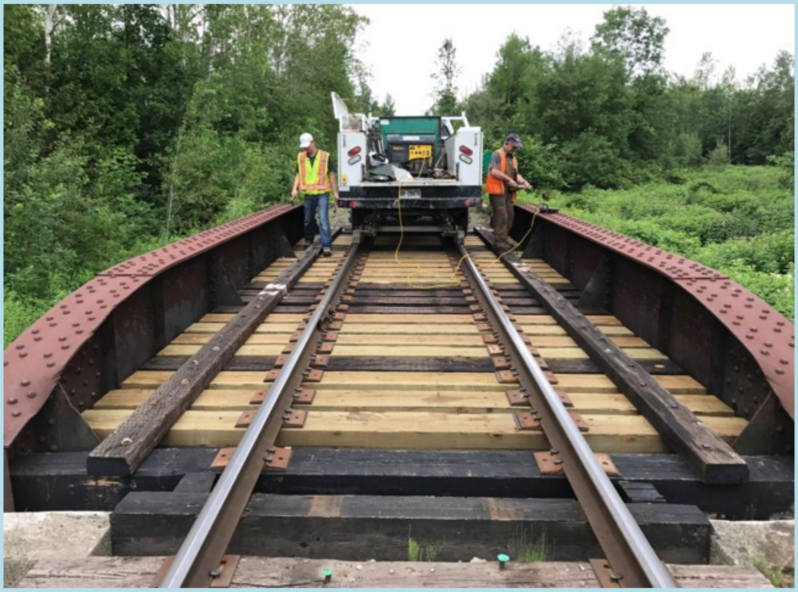
The Dividend Policy was adopted late in 2016, and in line with that policy a dividend to the City of $100,000 was declared for 2017. This dividend represents 10.44% of the recorded net income for 2017, but was nonetheless considered appropriate given the record revenue recorded.

GJR has also committed to pay for a governance review initiated at the request of the shareholder at a cost of approximately $80,000. The governance review is expected to be completed in 2018.

ONGOING PROJECTS, CHALLENGES AND OPPORTUNITIES:

Highlights of Projects Completed in 2017:

Arkell Rd Siding Expansion: Project required to better stage cars waiting to come into Guelph. GJR staff found that there was not enough track to support the growth being experienced. This project was completed to better stage cars waiting to come into Guelph and eliminate bottlenecks of freight. The result is reduced switching times and additional revenue for car storage. This will also serve as a location two trains can meet rather than in the City core (Stevenson St) to move around each other. The siding can store up to 29 cars.



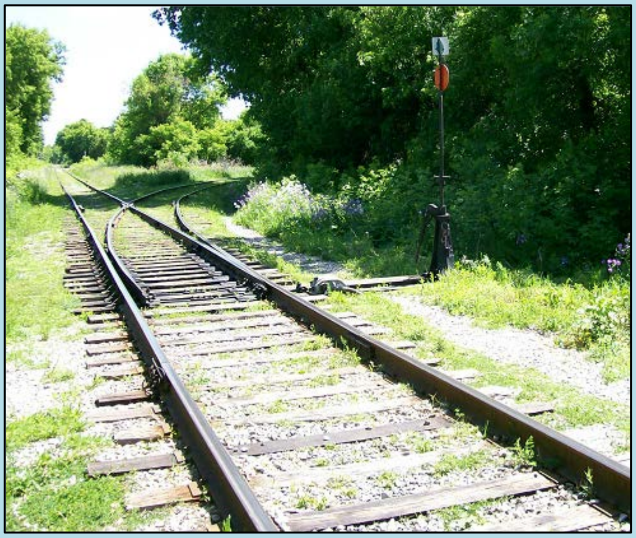
Mill Race Creek bridge Mile 18.85 timber upgrade project: Timbers were replaced in order to sustain a 286,000 lb. load rating. The bridge now meets or exceeds the load rating.

PDI Massey Storage Track: Built to handle new business PDI has brought to Guelph for its packaging plant. This track can hold up to 15 cars for unloading. With PDI growth the railway must also grow with the customer.

Mile 22.80 "Farmer Tunnel" Track Crossing: A concrete structure that was deteriorating at an accelerated pace. Work was completed to maintain access for an existing agricultural use and retain the integrity of the structure for the increased rail traffic. GJR staff also made a decision to rehabilitate the tunnel due to the site line location of Concession 10 which would not permit another level crossing in the curve.

Macdonell and Arthur Signal Upgrades: Upgrades were completed as part of increasing awareness and safety to train traffic and crossing users. The Macdonell crossing was completed first due to a high rate of 'near misses' and reported incidents. Since the upgrade no further near misses or incidents have been reported. Arthur St was completed as part of the development of 53 Arthur Street South ("The Metalworks"). With increased road use from increased population growth, upgrades at this crossing were required. The new LED lighting system has also increased awareness for users of the crossing but all the construction workers utilizing access roads in tight sightline areas.

Macdonell to Stevenson Pole Line Retirement and Signal Upgrades: This work was completed due to increased signal issues at all crossings between Stevenson St and Macdonell. These crossing have not seen any upgrades since 1972. With upgrades to hydro service, cables to control cabinets and upgraded signal detection devices the signals are now operating at 100% efficiency with no down times and



emergency calls at crossings. GJR also upgraded the drawings to all these crossings to be compliant with Transport Canada requirements.

Transfer of Title:

City Council approved the transfer of title of CPR assets within the City of Guelph to GJR on May 27, 2016. GJR prepaid for these assets in full in 2010. Work continues to fully transfer these assets (largely real property) to GJR.

Permanent Human Resources Solutions and Governance Review:

GJR continued to receive significant support from City of Guelph staff in 2017. GJR's CEO, CFO, Corporate Secretary, and legal counsel roles are fulfilled by City Staff who have taken on additional responsibilities in order to assist and provide support to GJR and its Board of Directors, supplementing and enhancing the support provided by GJR's sole employee, its General Manager.

This interim staffing solution was intended as a temporary measure, and although it has generally worked well GJR requires permanent human resources solutions to avoid confusion and clarify reporting relationships. At the request of the shareholder GJR initiated a consultant led governance review which will examine these and other issues. The governance review will be completed in the 2018 year.

MTO Expropriations – Northwest Industrial:

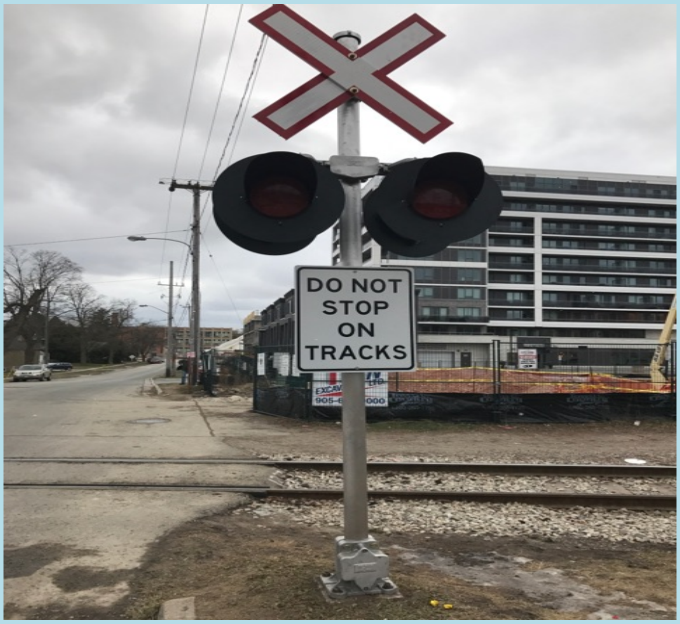
As part of the provincial plan to improve Highway 6, the Ontario Ministry of Transportation (MTO) has expropriated several parcels of land in the Northwest of the City. These include expropriations of GJR lands that include active rail crossings at the Hanlon Expressway. As part of the reconstruction of the highway, GJR tracks will have to be moved in order to maintain service to customers in the Northwest of the City.

Currently, GJR continues to operate on its existing track configuration under agreement with MTO. GJR is working with MTO to ensure that necessary track reconfiguration will take place prior to the reconstruction of the highway in such a way as to minimize disruptions in service to customers. GJR has retained experienced legal Counsel to deal with the legal aspects of the expropriations. The expectation continues to be that GJR will be fully compensated for all costs and disturbance, including consultant and legal costs, in accordance with the Expropriations Act.

GJR has communicated to MTO its willingness to operate with a single crossing of highway 6 and its strong preference that this crossing be grade separated. GJR continues to work with MTO and the City on future track and road configuration options.

Railway Safety:

GJR Strives for safety and where near misses or other safety concerns have been reported, has worked to identify and reduce problems, which resulted in substantial safety improvements and reductions in near misses and other incidents in 2017 Crossing improvements at Victoria Road and Eramosa Road are planned for 2018 to continue to improve railway safety and address these concerns and increase awareness of road users.



Identification of Rail Serviceable Lands:

A continued priority for the GJR Board is to identify additional rail serviceable lands in the City of Guelph and surrounding area. This has been incorporated into the adopted strategic direction, and will form part of the GJR business plans and long term plans. GJR's General Manager will continue to advise the GJR Board on potential opportunities for rail expansion.

External Challenges:

Certain challenges that affect GJR's business are not within the control of the railway, but efforts are made to mitigate impacts. Examples include impacts that occur at the level of the Class I railway, including impacts from weather, infrastructure failures, or service interruptions caused by labour disputes. Impacts at the client level can also impact the number of cars required (and hence revenues of GJR).

Challenges to GJR going forward into 2018 include an especially harsh winter which increased GJRs costs and impacted the class I railways and a fire at a destination point for some items shipped by GJR. Despite these challenges, GJR currently anticipates meeting its revenue targets for 2018.

GUELPH
JUNCTION
RAILWAY

GUELPH JUNCTION RAILWAY LIMITED

1 CARDEN STREET

GUELPH, ONTARIO N1H 3A1

TO	Council as the Shareholder of Guelph Junction Railway Limited
SERVICE AREA	GUELPH JUNCTION RAILWAY LTD. (“GJR”)
DATE	June 18, 2018
SUBJECT	**CFO Report - 2017 Audited Financial Statements of Guelph Junction Railway Limited**
REPORT NUMBER	GJR-2018.2

RESOLUTION:

1. That the report from the CFO in respect of the 2017 Financial Statements be received; and

2. That the 2017 dividend payment in the amount of $100,000 from Guelph Junction Railway Limited to its Shareholder, The Corporation of the City of Guelph, be received; and

3. That the Audited Financial Statements of Guelph Junction Railway Limited for the year ended December 31, 2017 be received.

REPORT:

Background:

The attached financial statements represent the audited financial statements of GJR for the year ended December 31, 2017. The audit was performed by KPMG LLP in accordance with generally accepted auditing standards and expressed an unqualified or “clean” opinion that the statements present fairly, in all material respects, the financial position of GJR.

Accounting treatment:

GJR has prepared its financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis.

Comment on 2017 Results:

GJR had another strong financial year, reporting a net income of $957 thousand compared to $505 thousand in 2016. The net income for 2017 is considered sustainable and represents a 365 per cent increase from where GJR was in 2014.

In 2017, GJR declared its first dividend to the City in the amount of $100 thousand. This dividend represents a return for the shareholder and should be considered along with the increase in the City's investment in GJR of $857 thousand. The overall change in the City's investment in GJR since 2014 is $2.2 million.

The remaining income generated in 2017 was reinvested back into the company through capital acquisitions of $732 thousand. GJR operates in a capital intensive industry and we have been reinvesting in our capital infrastructure in order to remain competitive in the future, meet legislative requirements, and ensure the safety of our operations.

The focus of 2018 is to ensure GJR continues to be a profitable, self-sustained company. Recently the Board approved a debt strategy which will guarantee repayment of all external debt in the next two years as well as accelerate the debt repayment with the City. The strategy also ensures that the GJR will have funds available for all capital purchases over the next ten years to eliminate any reliance on the City.

GJR is more completive than ever and we are committed to increasing our long-term value to the City and to the community.

Respectfully submitted,

Jade Surgeoner, CPA, CA, CIA
CFO, Guelph Junction Railway Limited

Financial statements of

Guelph Junction Railway Limited

December 31, 2017

Guelph Junction Railway Limited

December 31, 2017

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Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Guelph Junction Railway Company

We have audited the accompanying financial statements of Guelph Junction Railway Company, which comprise the balance sheet as at December 31, 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guelph Junction Railway Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
April 20, 2018

Guelph Junction Railway Limited

Balance sheet
as at December 31, 2017

	2017	2016
	$	$
Assets		
Current assets		
Cash	**561,514**	62,757
Accounts receivable	**637,488**	720,274
Inventory	**56,943**	45,923
	1,255,945	828,954
Property, plant and equipment (note 3)	**11,131,985**	10,723,078
	12,387,930	11,552,032
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**461,644**	133,586
Due to City of Guelph	**106,115**	393,059
Current portion of long-term debt (note 5)	**309,694**	504,034
Deferred revenue	**59,427**	-
Dividend payable	**100,000**	-
	1,036,880	1,030,679
Long-term debt (note 5)	**1,638,276**	1,741,103
Deferred capital contributions (note 4)	**1,044,442**	969,544
	3,719,598	3,741,326
Share capital (note 6)	**1**	1
Retained earnings (note 8)	**8,668,331**	7,810,705
	8,668,332	7,810,706
	12,387,930	11,552,032

Guelph Junction Railway Limited

Statement of comprehensive income
year ended December 31, 2017

	2017	2016
	$	$
Revenue		
Freight movement	**3,273,577**	2,464,160
Non-freight movement	**842,331**	773,756
Amortization of deferred capital contributions	**41,102**	40,398
	4,157,010	3,278,314
Expense		
Freight movement	**2,147,145**	1,655,528
Track maintenance	**386,620**	439,041
Depreciation	**322,630**	321,911
Administration and office	**246,896**	242,386
Interest on long-term debt	**74,331**	89,731
Expropriation costs	**13,762**	7,974
Business development	**-**	8,250
Audit & legal	**8,000**	8,000
	3,199,384	2,772,821
Net comprehensive income for the year	**957,626**	505,493

Guelph Junction Railway Limited

Statement of changes in equity
year ended December 31, 2017

	2017	2016
	$	$
Retained earnings, beginning of year	**7,810,705**	7,305,212
Dividends to Shareholder	**(100,000)**	-
Net comprehensive income for the year	**957,626**	505,493
Retained earnings, end of year	**8,668,331**	7,810,705
Share capital, beginning and end of year	**1**	1
Equity, end of year	**8,668,332**	7,810,706

Guelph Junction Railway Limited

Statement of cash flows
year ended December 31, 2017

	2017	2016
	$	$
Operating activities		
Cash from operations		
Net income from operations	**957,626**	505,493
Items not affecting cash:		
Amortization of deferred capital contributions	**(41,101)**	(40,398)
Depreciation of property, plant and equipment	**322,629**	321,911
Changes in non-cash operating working capital components:		
Change in accounts receivable	**82,786**	(121,935)
Change in due to City of Guelph	**(286,944)**	517,238
Change in inventory	**(11,020)**	(16,370)
Change in accounts payable and accrued liabilities	**328,058**	(481,323)
Change in deferred revenue	**59,427**	-
	1,411,461	684,616
Investing activity		
Acquisition of property, plant and equipment	**(731,536)**	(679,899)
Capital contributions	**115,999**	78,824
	(615,537)	(601,075)
Financing activity		
Repayment of long-term debt	**(297,167)**	(287,115)
	(297,167)	(287,115)
Increase (decrease) in cash during the year	**498,757**	(203,574)
Cash, beginning of year	**62,757**	266,331
Cash, end of year	**561,514**	62,757

1. Description of business

Guelph Junction Railway Limited (the "Company") was incorporated under the laws of Canada in 1884. The Company is wholly owned by The City of Guelph and is exempt from income taxes. The Company is engaged in the rail and related transportation business in Southwestern Ontario.

The Company's head office is located at 1 Carden Street, Guelph, Ontario and is a subsidiary of the City of Guelph.

The financial statements have been approved by the Board of Directors and authorized for issue on April 20, 2018.

2. Significant accounting policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Boards ("IASB"). The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars which is also the functional currency of the Company.

Revenue recognition

Revenue earned from the provisions of services is recognized as the service is rendered. The service is deemed to be rendered at the delivery of the service provided by the company.

Inventory

Inventory is valued at the lower of cost and net realizable value on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and accumulated impairment losses. Cost includes the acquisition cost, labour and other costs directly attributable to bringing the asset to a working condition for its intended use. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in earnings in the period the asset is derecognized.

Depreciation is provided using the declining-balance method at rates designed to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

Tracks and structures	4%
Bridges	4%
Buildings	4%
Switches	4%
Crossing equipment	4%

Work in progress is not depreciated until the equipment is put into active use.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted prospectively if appropriate.

2. Significant accounting policies (continued)

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in earnings.

Financial instruments

<u>Financial assets and financial liabilities</u>

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities not classified as fair value through profit and loss are added to or deducted from the fair value, as appropriate, on initial recognition. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

All financial instruments are classified into one of the following five categories:

- Fair value through profit or loss (“FVTPL”). Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL;
- Held to maturity investments;
- Loans and receivables;
- Available for sale financial assets; and
- Other financial liabilities.

Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost. Financial instruments classified as FVTPL, including derivatives, are measured at fair value each period and all gains and losses are included in earnings in the period in which they arise. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. The Company has classified its cash and accounts receivable as loans and receivables.

Financial assets that are measured at amortized cost are assessed for indicators of impairment at the end of each reporting period.

2. Significant accounting policies (continued)

Financial instruments (continued)

<u>Financial assets and financial liabilities (continued)</u>

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

Accounts payable and accrued liabilities, due to City of Guelph, current and long-term debt have been classified as other financial liabilities, all of which are measured at amortized cost.

Government grants and other contributions

Government grants are recognized in net income on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants were intended to compensate. Grants that take the form of a transfer of a non-monetary asset for the use of the Company are recognized as deferred contributions in the balance sheet and measured based on the fair value of the asset received. Deferred contributions are transferred to net income on a systematic and rational basis over the useful life of the related assets.

Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making such estimates and judgments, actual results reported could differ from those estimates and judgments. Significant judgments include the determination of cash-generating units for impairment testing and determination of useful lives of property, plant and equipment.

Recent accounting pronouncements

The Company is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

The IASB has issued IFRS 15 Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

2. Significant accounting policies (continued)

Recent accounting pronouncements (continued)

Financial Instruments

In July 2014, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Company is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

Property, Plant and Equipment and Intangible Assets

In May 2014, the IASB issued amendments to IAS 16, Property, Plant and Equipment and IAS 38 Intangible Assets, which are effective for years beginning on or after January 1, 2016. The amendments clarify when revenue-based depreciation methods are permitted. The Company does not expect this to have an impact.

Leases

In January 2016, the IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosures of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS17 and it is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

3. Property, plant and equipment

2017
Cost

	Opening Cost	Additions	Disposals	Ending Cost
	$	$	$	$
Land	2,997,210	-	-	2,997,210
Tracks	7,479,236	459,471	30,000	7,908,707
Bridges	1,899,180	30,647	12,000	1,917,827
Buildings	481,327		-	481,327
Switches	162,799		4,200	158,599
Crossing equipment	336,593	202,816	75,000	464,409
Work in progress	-	38,602	-	38,602
	13,356,345	731,536	121,200	13,966,681

2017
Accumulated depreciation

	Opening balance	Depreciation	Disposals	Ending balance
	$	$	$	$
Land	-	-	-	-
Tracks and structures	2,157,562	291,947	30,000	2,419,509
Bridges	75,968	3,652	12,000	67,620
Buildings	220,408	10,437	-	230,845
Switches	81,061	3,269	4,200	80,130
Crossing equipment	98,268	13,324	75,000	36,592
	2,633,267	322,629	121,200	2,834,696

2017
Net book value

	Opening net book value	Ending net book value
	$	$
Land	2,997,210	2,997,210
Tracks and structures	5,245,706	5,489,198
Bridges	1,899,180	1,850,208
Buildings	260,919	250,483
Switches	81,738	78,469
Crossing equipment	238,325	427,815
Work in progress	-	38,602
	10,723,078	11,131,985

3. Property, plant and equipment (continued)

2016
Cost

	Opening Cost	Additions	Disposals	Ending Cost
	$	$	$	$
Land	2,997,210	-	-	2,997,210
Tracks and structures	6,826,729	652,507	-	7,479,236
Bridges	-	1,899,180	-	1,899,180
Buildings	481,327	-	-	481,327
Switches	149,222	13,577	-	162,799
Crossing equipment	336,593	-	-	336,593
Work in progress	1,885,365	(1,885,365)	-	-
	12,676,446	679,899	-	13,356,345

2016
Accumulated depreciation

	Opening balance	Depreciation	Disposals	Ending balance
	$	$	$	$
Land	-	-	-	-
Tracks and structures	1,935,826	221,736	-	2,157,562
Bridges	-	75,968	-	75,968
Buildings	209,536	10,872	-	220,408
Switches	77,655	3,406	-	81,061
Crossing equipment	88,339	9,929	-	98,268
	2,311,356	321,911	-	2,633,267

2016
Net book value

	Opening net book value	Ending net book value
	$	$
Land	2,997,210	2,997,210
Tracks and structures	4,890,903	5,321,674
Bridges	-	1,823,212
Buildings	271,791	260,919
Switches	71,567	81,738
Crossing equipment	248,254	238,325
Work in progress	1,885,365	-
	10,365,090	10,723,078

4. Deferred capital contributions

	2017	2016
	Net book value	Net book value
	$	$
Deferred contributions - gross	**1,519,811**	1,403,811
Less: accumulated amortization	**(475,369)**	(434,267)
	1,044,442	969,544

5. Long-term debt

The Company entered into three long-term debt facilities with the Royal Bank of Canada ("RBC") for the purpose of constructing two new rail yards within the limits of the City of Guelph. These projects were completed and put into use during 2012.

The Company entered into a long-term loan agreement with the City for the purpose of reconstructing a bridge.

	2017	2016
	$	$
RBC Fixed term loan, repayable monthly, blended principal and interest at 3.51%, maturing December 2018	**125,606**	246,974
RBC Fixed term loan, repayable monthly, blended principal and interest at 3.41%, maturing June 2019	**173,041**	281,917
RBC Fixed term loan, repayable monthly, blended principal and interest at 3.41%, maturing June 2019	**33,828**	55,151
City of Guelph fixed term loan, repayable monthly, blended principal and interest at 3.395%, maturing December 2020	**1,615,495**	1,661,095
Less: current portion of long-term debt	**(309,694)**	(504,034)
Long-term debt	**1,638,276**	1,741,103

The debt is repayable as follows:

	$
2018	309,694
2019	118,753
2020	50,483
2021	52,224
2022 and thereafter	1,416,816
	1,947,970

The debt facilities are secured by a general security arrangement over all inventory, accounts receivable and property, plant and equipment.

The Company is onside with the financial covenants related to these debt facilities.

6. Share capital

Authorized, unliminted number
Common shares

Issued and outstanding	**December 31, 2017**	December 31, 2016
	$	$
1 Common share	**1**	1
	1	1

7. Related party transactions

The Company is wholly owned by The City of Guelph. The City pays certain expenses and receives revenues on behalf of the Company for which the Company reimburses the City. During the year, these net expenses for which the Company reimbursed the City amounted to $574,509 (2016 - $970,867). The Company also receives direct revenue from the City which amounted to $116,323 (2016 -$107,050). The Company also paid the City $53,200 (2016 - $55,721) in office rent and administration fees for the year. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

In 2015 the Company entered into a loan agreement with the City to finance the reconstruction of a bridge. In 2017 principal and interest payments were $45,601 and $55,689 respectively (2016 – $48,905, $52,385).

Members of the board of directors are unpaid.

The remuneration of key management personnel during the year was $154,132 (2016 - $149,112).

8. Capital management

The Company's manages its capital to ensure sufficient liquidity to protect the Company's long-term viability as a going concern.

The Company's total capital is defined as shareholder's equity. Shareholder's equity at December 31, 2017 is $8,768,332 (December 31, 2016 - $7,810,706). There have been no changes to the Company's approach on capital management.

The company has certain restrictions to its capital as part of the debt facility agreements entered into with RBC.

9. Financial risk management

Financial assets and liabilities

The following table analyzes financial assets and liabilities by the categories defined in IAS 39. In addition, IFRS 7 requires that financial instruments held at fair value be categorized into one of the following three levels to reflect the degree to which observable inputs are used in determining the fair values:

- 'Level 1' fair value measurements are those derived without adjustment from quoted prices in active markets for identical assets or liabilities.
- 'Level 2' fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- 'Level 3' fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

9. Financial risk management (continued)

The Company has no financial assets or financial liabilities held at fair value.

	Loans and receivables	Available for sale	Liabilities at amortized cost	Fair value through profit or loss	Total carrying value	Fair value
	$	$	$	$	$	$
As at December 31, 2017						
Financial assets not held at fair value						
Cash	**561,514**	**-**	**-**	**-**	**561,514**	**561,514**
Trade and other receivables	**637,488**	**-**	**-**	**-**	**637,488**	**637,488**
Financial assets held at fair value	**-**	**-**	**-**	**-**	**-**	**-**
Total financial assets	**1,199,002**	**-**	**-**	**-**	**1,199,002**	**1,199,002**
Financial liabilities not held at fair value						
Trade and other payables	**-**	**-**	**461,644**	**-**	**461,644**	**461,644**
Due to City of Guelph	**-**	**-**	**106,115**	**-**	**106,115**	**106,115**
Dividend payable	**-**	**-**	**100,000**	**-**	**100,000**	**100,000**
Current portion of long-term debt	**-**	**-**	**309,694**	**-**	**309,694**	**309,694**
Long-term debt	**-**	**-**	**1,638,276**	**-**	**1,638,276**	**1,638,276**
Financial liabilities held at fair value	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**-**	**-**	**2,615,729**	**-**	**2,615,729**	**2,615,729**

The fair value of the Company's external long-term debt approximates its carrying value as the interest rate approximates market. The fair value of the debt payable to the City of Guelph, a related party is undeterminable.

	Loans and receivables	Available for sale	Liabilities at amortized cost	Fair value through profit or loss	Total carrying value	Fair value
	$	$	$	$	$	$
As at December 31, 2016						
Financial assets not held at fair value						
Cash	62,757	-	-	-	62,757	62,757
Trade and other receivables	720,274	-	-	-	720,274	720,274
Financial assets held at fair value	-	-	-	-	-	-
Total financial assets	783,031	-	-	-	783,031	783,031
Financial liabilities not held at fair value	-	-	-	-	-	-
Trade and other payables	-	-	133,586	-	133,586	133,586
Due to City of Guelph	-	-	393,059	-	393,059	393,059
Dividend payable	-	-	-	-	-	-
Current portion of long-term debt	-	-	504,034	-	504,034	504,034
Long-term debt	-	-	1,741,103	-	1,741,103	1,741,103
Financial liabilities held at fair value	-	-	-	-	-	-
Total financial liabilities	-	-	2,771,782	-	2,771,782	2,771,782

9.Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that market rates will fluctuate and affect the debt carrying costs paid by the Company. The Company has three fixed rate term loans and is only exposed to interest rate risk upon year five when the facilities will be renewed for an additional two year term.

Currency risk

The Company realizes an insignificant portion of its income in US dollars and is thus not exposed to foreign exchange risk.

Credit risk

Credit risk is the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

The Company's maximum exposure to credit risk is the carrying value of financial assets on the statement of financial position. At December 31, 2017 and December 31, 2016 Company had no allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All contractual cash flows related to the Company's financial liabilities are expected to be settled within one year except for those amounts due to the City of Guelph and the long-term debt which will be settled over the next 23 years.

10. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

GUELPH JUNCTION RAILWAY

TO	Council as the Shareholder of Guelph Junction Railway Limited
SERVICE AREA	GUELPH JUNCTION RAILWAY LTD. (“GJR”)
DATE	June 18, 2018
SUBJECT	**Appointment of Auditor**
REPORT NUMBER	GJR-2018.3

RESOLUTION:

1. That the recommendation of the GJR Board of Directors regarding the appointment of Auditors for GJR, be received; and
2. That KPMG LLP are appointed as auditors for Guelph Junction Railway Limited for its 2018 fiscal year.

Jade Surgeoner, CPA, CA, CIA
CFO, Guelph Junction Railway Limited