

On Track

Update from the Alaska-Canada Rail Link Feasibility Study

Issue 6 July 2006

Welcome to On Track – your update from the Alaska-Canada Rail Link Feasibility Study project office in Whitehorse, Yukon.

To receive On Track, please email Project Communications Coordinator, Amanda Leslie at amanda@amandaleslie.ca.

Project Manager's Report - Study Status in Brief

As of June 30, 2006, the Study's Stage One Technical/Engineering and Market analysis that commenced last fall is now complete and the Stage Two Financial Analysis is underway.

A financial advisory group, comprised of Macquarie North America, Ernst & Young Orenda and PartnershipsBC, has been retained to collaboratively advise the Management Working Group (MWG) in developing an investment strategy over the next months.

All decisions relating to the release of the Study and its timing will be the determination of the MWG and the Advisory Committee.

- *The MWG oversees the Study and includes members of the governments of Yukon, Alaska, Canada and B.C. and representatives from First Nations and industry.*
- *The Advisory Committee is co-chaired by Alaska Governor Frank H. Murkowski and Yukon Premier Dennis Fentie and includes Council of Yukon First Nations Grand Chief Andy Carvill and Yukon Economic Development Minister Jim Kenyon.*

Yukon Indian Development Corporation Annual General Meeting

Dawson City, Yukon (July 20, 2006) – Alaska-Canada Rail Link Feasibility Study Project Manager Kells Boland was invited to attend the Annual General Meeting of the Yukon Indian Development Corporation (YIDC) at the Moosehide village site near Dawson City.

Mr. Boland outlined a vision for North Pacific Rim export and container traffic over a new land connection, replacing a limited rail barge service between the Alaska Railroad and the Canadian National Railway.

In subsequent dialogue with Chiefs of the 13 First Nations represented at the meeting, a number of rail project issues were raised, including both potential impacts on and investment opportunities for Yukon First Nations. Boland was cautioned not to look at the rail project too narrowly without broader consideration of arctic shipping, tourism, game access and environmental balance, among other issues.

Stanley Noel, CEO of YIDC and a member of the Rail Study's Management Working Group pointed out that at this point, only a conceptual feasibility study is underway, versus a definitive railway construction proposal. Mr. Noel further explained that as working rail system scenarios currently under evaluation are moved forward into viable projects more comprehensive community and First Nations consultations can be expected.

Aboriginal Ownership of Canadian Rail Lines - *a continuing series*

Island Foundation Chooses Southern Railway of B.C. to Operate Freight and Passenger Trains

(July 2006) – The Island Corridor Foundation (ICF) has landed an operator for the former E&N Railway line on Vancouver Island. ICF reached an agreement with Southern Railway of British Columbia Ltd. (SRY) to operate freight and passenger trains between Victoria and Courtenay. SRY launched service on July 1, 2006.

A Washington Cos. Subsidiary, SRY is providing freight and passenger rail services under the name Southern Railway Vancouver Island Ltd. The 125-mile SRY also operates freight trains in B.C.'s lower mainland and Fraser Valley and interchanges with the CNR, CPR, Canadian Pacific Railway, BNSF Railway Co. and Union Pacific Railroad in New Westminister, B.C.

“We will now be able to offer a scheduled, seamless freight service from points on the Island through our interchanges with the main transcontinental carriers in concert with our sister (ferry) company Seaspan Coastal Intermodal,” said SRY Vice President of Business Development, Ken Doiron.

Earlier this year, the non-profit ICY purchased the 181-mile E&N Railway's right of way from RailAmerica Inc. for \$850,000 in cash and a \$300,000 promissory note. The Island Corridor Foundation is managed by 13 First Nations groups and six Vancouver Island municipalities.

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About the Island Corridor Foundation

In 2002, Norske Skog, now Catalyst Paper, announced their freight business move from rail to truck on Vancouver Island. Cowichan Tribes saw the potential of what preserving the Island corridor and rail service could mean to First Nations and at the same time, the Association of Vancouver Island and Coastal Communities (AVICC) saw the potential for Island communities.

In a collaborative approach between local government and First Nations, the two groups invited all interested parties to discuss the situation. Subsequent discussions resulted in the formation of the Vancouver Island Rail Initiative and a number of feasibility studies surrounding the retention of CPR assets and improved rail service.

The Island Corridor Foundation was incorporated in early 2004, signaling an unprecedented partnership between the Regional Districts and First Nations.

For more information about the ICF, please visit www.islandcorridorfoundation.ca

Manitoba Railway Line Transferred to First Nations Company

The Pas, Manitoba (May 25, 2006) – The community of Pukatawagan and surrounding areas today celebrated the transfer of a railway line in northern Manitoba to Keewatin Railway Company. The First Nations-owned railway company received \$4.9 M from the Government of Canada, \$1.25 M from the Province of Manitoba and \$500,000 from three First Nations communities for the railway line purchase.

The 185-mile Sherridon Subdivision, which runs between Sherritt Junction and Lynn Lake in Manitoba, was acquired by the Keewatin Railway Company – owned jointly by the Mathias Colomb Indian Band, the Tataskweyak Cree Nation and the War Lake First Nation on April 1, 2006 through an asset purchase agreement with the Hudson Bay Railway Company.

In addition to the \$4.9 M for the railway line purchase, the Government of Canada is providing up to \$3.2 M for start-up costs and capital investments, including the acquisition of locomotives, railway equipment, transitional services, office equipment and planned infrastructure work on the rail line. Federal Funding comes from the Regional and Remote Passenger Rail Services Contribution Program administered by Transport Canada.

VIA Rail Canada previously operated a twice-weekly passenger rail service between The Pas and Pukatawagan through an operating agreement with Hudson Bay Railway Company. This passenger service continues under a new operating agreement between Keewatin Railway Company and VIA Rail Canada.

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For more information, please visit www.tc.gc.ca/mediaroom

Northern Economic Development News

Alaska Urged to OK Pipeline Measure

The Associated Press - Juneau, Alaska (June 30, 2006) – The Bush administration is pressuring Alaska lawmakers to pass legislation that would advance a proposed multi-billion dollar natural-gas pipeline.

In letters to the Alaska House and Senate, Vice President Dick Cheney urged prompt action during the upcoming special session.

“You have it in your hands to help ensure that the Alaska Gas Pipeline ultimately furnishes dependable, affordable and environmentally sound energy for America’s future,” Cheney wrote.

House Speaker John Harris, R-Valdez, said lawmakers also want to see the gas brought to market but want to ensure Alaska gets a good deal.

Alaska lawmakers will convene July 12, 2006 for a second special session to consider replacing the production tax on oil companies in the state. Lawmakers will also again consider legislation granting Governor Frank Murkowski the authority to negotiate changes in a proposed fiscal contract with the three oil companies that would build and own the line along with the state.

If the Legislature reaches agreement, the governor will negotiate a deal with ConocoPhillips, BP and Exxon Mobil. The estimated \$19B to \$27B pipeline would stretch at least 2100 miles from Prudoe Bay, through Yukon to Alberta and perhaps another 1500 miles to Chicago. The pipeline would carry about 4 billion cubic feet of natural gas each day and supply approximately 10 per cent of future U.S. natural gas demand.

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**Editor's Note: The Alaska Highway Gas and the Alaska-Canada Rail Link are seen as mutually beneficial trans-border infrastructure investments. As of July 19, state lawmakers had not approved the proposed natural gas pipeline contract with the three oil companies.*

The Governor publicly stated that he is planning a ratification vote of the deal this session, which could last until August 10. The contract setting tax and royalty terms for the pipeline to Alberta is out for public review until July 24. To reach a ratification vote, the Legislature must first pass an oil tax rewrite and a bill authorizing the governor to negotiate oil taxes in the contract. Both bills have failed in previous sessions.

Sherwood Announces Robust Returns from Feasibility Study on Minto Copper-Gold Project

Vancouver, B.C. (July 13, 2006) – Sherwood Copper Corporation today announced the results of the feasibility study for its high-grade Minto copper-gold project in Yukon. The project demonstrates robust economics, supporting Sherwood's prior decision to accelerate the project development schedule for a production start by mid-2007 and, in the accelerated case, early second quarter 2007.

The Minto deposit is to be developed as an open pit mining operation with conventional crushing, grinding and flotation to produce copper concentrates that contain significant gold and silver credits. It is anticipated that these concentrates will be exported via the port of Skagway, Alaska, to smelters in Asia for treatment and sale.

Editor's note: Potential resumption of freight service on an extended White Pass & Yukon Route from Skagway will be considered in the Rail Link Feasibility Study.

The Minto deposit lies within the traditional territory of the Selkirk First Nation and the mineral claims comprising the Minto Project fall within Category A Settlement Land under the Selkirk Land Claims Agreement wherein Selkirk own the mineral and surface rights. However, the land claims agreement specifically grandfathered the existing mineral and other rights held by MintoEx. In 1997, MintoEx and Selkirk signed a cooperation agreement which, among other things, grants Selkirk a 0.5% net smelter return royalty on all production from the Minto Project.

In addition, MintoEx and Selkirk are committed to work together in respect of employment, contracting opportunities and various other matters in relation to the development and operation of the Minto Project. A significant number of the workers currently on site are Selkirk beneficiaries and several contracts are in place or in process with Selkirk beneficiary companies. MintoEx is committed to building a productive relationship with Selkirk that sees benefits from the Minto Project flow to local residents and communities.

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We Want to Hear From You

Informing, including and receiving input from your organization or community is crucial to the success of the Alaska-Canada Rail Link Feasibility Study. Please email your thoughts and comments to amanda@amandaleslie.ca or call 867.456.3862.