

timber used in sleepers, etc., being from 6 to 9 years, the renewals of timber in the permanent way have fallen in heavily within the past two or three years, making a heavy charge on the working expenses; but by the end of the present year a small percentage of the original timber will remain and the renewals may be expected to fall to a moderate average.

The Minneapolis, St. Paul and Sault Ste. Marie Railway (the so called "Soo" line), controlled by your Company, shows a large increase in gross earnings and profits for the year, and there is already a fair margin of safety between the profits of the line and the liability of your Company as guarantor.

The extension of this line to the International Boundary, and the construction of a branch of your railway connecting it with your main line at Pasqua, both of which were referred to in the last annual report, are expected to be completed and in operation within five months from this time, and will afford one of the shortest routes between St. Paul, Minneapolis and Chicago and the Pacific Coast, and a line having advantages over all others in nearly every respect.

The Duluth South Shore & Atlantic Railway, also controlled by your Company, has suffered for two years from various temporary causes affecting its iron-ore traffic; but the losses in this regard have been made good by a large increase in its general business, especially in forest products. Its unfavourable conditions are now removed and it is expected that its present year will be a prosperous one.

The results of both these important lines up to the present time have satisfied your Directors that, while at