



**WESTSHORE TERMINALS  
INVESTMENT CORPORATION**

**ANNUAL REPORT**

**2019**

Westshore Terminals Investment Corporation (the “Corporation”) owns all of the limited partnership units of Westshore Terminals Limited Partnership, a partnership established under the laws of British Columbia (“Westshore”). It derives its cash inflows from its investment in Westshore by way of distributions on its limited partnership units. Westshore operates the coal storage and loading terminal at Roberts Bank, British Columbia (the “Terminal”), which is the largest coal loading facility on the west coast of the Americas. The principal office of the entities is located at 1800 - 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7.

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## Financial Highlights

*(In thousands of Canadian dollars except tonnage and share amounts)*

	2019	2018
Tonnage (in thousands)	31,033	30,464
Coal loading revenue	\$ 387,536	\$ 356,034
Profit before taxes	\$ 190,998	\$ 169,883
Profit for the year	\$ 139,385	\$ 122,131
Profit for the year per share	\$ 2.09	\$ 1.76
Dividends declared	\$ 42,650	\$ 44,036
Dividends declared per share	\$ 0.64	\$ 0.64
Funds applied to repurchase shares	\$ 17,780	\$ 89,650
Average price paid per repurchased share	\$ 20.92	\$ 24.21
Shares outstanding at December 31	66,473,855	67,289,787
Share Trading Statistics		
High	\$ 24.26	\$ 27.50
Low	\$ 17.64	\$ 19.95
Close	\$ 18.95	\$ 20.58
Annual Volume	46,898,530	33,862,585



# Westshore Terminals Investment Corporation

## Directors' Letter and Report to Shareholders

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Dear Shareholder:

2019 was a very good year for Westshore, both operationally and financially.

Westshore shipped just over 31.0 million tonnes (compared to 30.5 million tonnes in 2018), the highest volume in Westshore's history.

Financially, Westshore's total revenues of \$395.4 million surpassed 2018 revenues of \$363.4 million and reflect volume growth and an increase in throughput rates. Profit before taxes of \$191.0 million was up 12%, compared to \$169.9 million in 2018, with profit per share increasing by 18%

The recent capital project, which started in 2014 and represents the single largest capital project Westshore has undertaken, was completed in 2019, on schedule and for \$240 million, well under budget and without incurring any debt. Westshore's management and workforce are to be congratulated for successfully completing the project while maintaining throughput. The completion of the project positions us well to meet the needs of our customers for years to come.

For 2020, throughput volume is anticipated to be approximately 30.5 million tonnes at rates comparable to 2018 rates.

On March 31, 2021, our 10-year agreement with Teck Resources Limited. ("Teck") expires. Teck are expanding their capacity at Neptune Bulk Terminals, and have announced they have secured additional capacity at Ridley Terminals. While we are willing to handle Teck product beyond the current agreement on acceptable terms, there should be no expectation that a new agreement will be entered into with Teck.

Westshore has secured additional volume from existing and new customers which will offset some of the reduction in volume from Teck. We are currently anticipating a material reduction in throughput volumes in 2021 and 2022 as compared to recent years. Westshore will adjust elements of its operations to materially reduce costs accordingly.

Westshore is well positioned to handle a range of bulk commodities in addition to coal. We continue to attract the interest of producers of other products, and we will evaluate the feasibility of these opportunities as they arise.

The Corporation renewed its normal course issuer bid ("NCIB") effective April 11, 2019 for another year, allowing it to acquire up to 3,334,831 common shares until April 10, 2020. During 2019, 850,090 common shares were purchased for a total of \$17.8 million, of which 88,108 common shares at a cost of \$1.7 million were settled in 2020. In 2018, 3,702,700 common shares were purchased for a total of \$89.7 million, of which 54,950 common shares at a cost of \$1.1 million were settled in 2019. Year to date in 2020, a total of 818,908 shares have been purchased for \$14.1 million. The calendar year covers parts of two NCIB buying years.

For the Board of Directors,  
*(Signed) "William Stinson"*

William Stinson  
*Chairman of the Board of Directors*

Vancouver, B.C.  
March 13, 2020



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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The following discussion and analysis should be read in conjunction with information contained in the Consolidated Financial Statements of Westshore Terminals Investment Corporation (“the Corporation”) and the notes thereto for the year ended December 31, 2019. This discussion and analysis has been based upon the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). This discussion and analysis is the responsibility of management of the Corporation. Additional information and disclosure can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Unless otherwise indicated, the information presented in this Management's Discussion and Analysis (“MD&A”) is stated as at March 13, 2020.

All amounts are presented in Canadian dollars unless otherwise noted.

### Caution Concerning Forward-Looking Statements

*This MD&A contains certain forward-looking statements, which reflect the current expectations of the Corporation and Westshore with respect to future events and performance. Forward-looking statements are based on information available at the time they are made, assumptions by management, and management's good faith belief with respect to future events. They speak only as of the date of this MD&A, and are subject to inherent risks and uncertainties, including those risk factors outlined in the annual information form of the Corporation filed on [www.sedar.com](http://www.sedar.com), that could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.*

*Forward-looking information included in this document includes statements with respect to future revenues, expected loading rates, expected throughput volumes, renewal and non-renewal of customer contracts future throughput capacity, the effect of the Canadian/US dollar exchange rate, the future cost of post-retirement benefits, expected timing for shipments from new customers, negotiations of new collective agreement, adoption and impact of new accounting standards and the anticipated level of dividends and share repurchases.*

*Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at which, such performance or results will be achieved. There is significant risk that estimates, predictions, forecasts, conclusions and projections will not prove to be accurate, that assumptions may not be correct and that actual results may differ materially from such estimates, predictions, forecasts, conclusions or projections. Readers of this MD&A should not place undue reliance on forward-looking statements as a number of risk factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Specific risk factors include global demand and competition in the supply of seaborne coal, the ability of customers to maintain or increase sales or deliver coal to the Terminal, fluctuations in exchange rates, and the Corporation's ability to renegotiate key customer contracts in the future on favourable terms or at all. See the risk factors outlined in the annual information form referred to above.*



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### General

The Corporation was incorporated under the Business Corporations Act (British Columbia) on September 28, 2010 and is domiciled in Canada. The registered and head office of the Corporation is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia V6C 1C7. The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership ("Westshore"), a limited partnership established under the laws of British Columbia.

The Corporation derives its cash inflows from its investment in Westshore by way of distributions on Westshore's limited partnership units. Westshore operates a coal storage and loading terminal at Roberts Bank, British Columbia (the "Terminal"). Substantially all of Westshore's operating revenues in 2020 are derived from rates charged for loading coal onto seagoing vessels.

Westshore's results are affected by various factors, including the volume of coal shipped by each customer, and their contracted rate per tonne, as well as Westshore's operating costs. Customer contracts continue to provide fixed volume commitments at fixed rates. Westshore has received reservation payments from two companies which are developing metallurgical coal mines in Alberta and BC.

This MD&A has been prepared by the Corporation to accompany the financial statements of the Corporation for the financial year ended December 31, 2019.



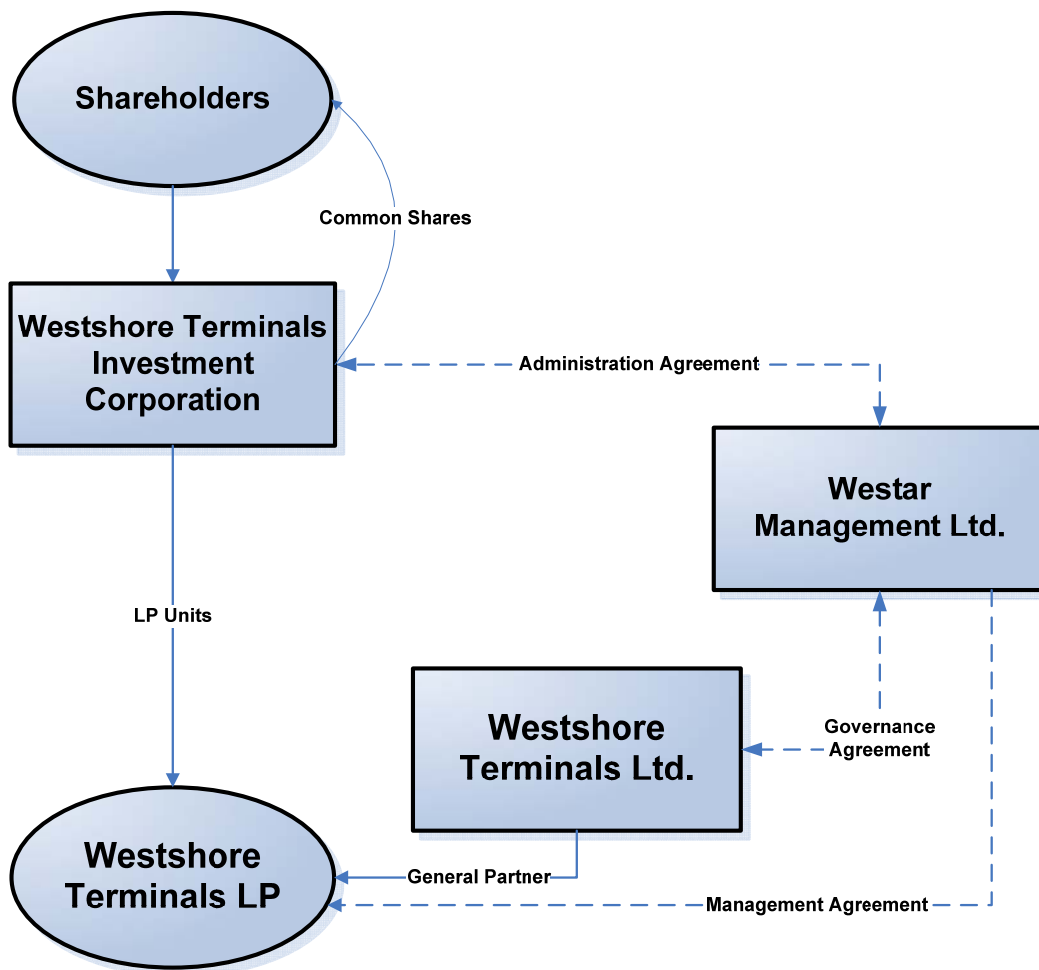
# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### Structure

The following chart illustrates the Corporation's primary structural relationships. The Corporation holds all of the limited partnership units of Westshore and all of the common shares of Westshore Terminals Ltd. (the "General Partner"), the general partner of Westshore. Westar Management Ltd. (the "Manager") provides management services to Westshore and administrative services to the Corporation, and appoints three of the eight directors of the General Partner. Details of these arrangements will be included in the Information Circular for the Corporation's 2020 Annual Meeting.





# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

### Selected Financial Information

The following financial data is derived from the Corporation's audited consolidated financial statements for the years ended December 31, 2019, 2018 and 2017, which were prepared in Canadian dollars using IFRS.

(In thousands)	2019	2018	2017
	\$	\$	\$
Revenue	395,422	363,369	330,031
Profit before taxes	190,998	169,883	145,310
Profit for the year	139,385	122,131	106,739
Profit for the year per share <sup>(1)</sup>	2.09	1.76	1.47
Dividends declared	42,650	44,036	46,093
Dividends declared per share	0.64	0.64	0.64
Total assets	1,207,307	1,128,820	1,149,205
Total long term liabilities	420,882	404,760	425,043

(1) The weighted average number of Common Shares outstanding for 2019 was 66,724,299, for 2018 was 69,206,278, and for 2017 was 72,397,447.

The following tables set out selected consolidated financial information for the Corporation on a quarterly basis for the last eight quarters.

<i>(In thousands of Canadian dollars except per share amounts and where noted)</i>	<b>Three Months Ended</b>			
	<b>Dec 31, 2019</b>	<b>Sep 30, 2019</b>	<b>Jun 30, 2019</b>	<b>Mar 31, 2019</b>
	\$	\$	\$	\$
Revenue	102,991	104,918	98,714	88,799
Profit before taxes	49,994	55,774	47,923	37,307
Profit for the period	36,484	40,704	34,960	27,237
Profit for the period per share	0.55	0.61	0.52	0.41
Dividends declared	10,637	10,670	10,672	10,671
Dividends declared per share	0.16	0.16	0.16	0.16
Shares repurchased (000 shares)	312	-	-	538
Cost of shares repurchased	5,858	-	-	11,922





# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

(In thousands of Canadian dollars except per share amounts and where noted)

	Three Months Ended			
	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
	\$	\$	\$	\$
Revenue	90,062	96,140	93,248	83,919
Profit before taxes	42,129	47,907	48,647	31,200
Profit for the period	30,910	34,394	34,062	22,765
Profit for the period per share	0.46	0.50	0.49	0.32
Dividends declared	10,767	10,956	11,049	11,264
Dividends declared per share	0.16	0.16	0.16	0.16
Shares repurchased (000 shares)	734	1,032	1,344	593
Cost of shares repurchased	17,583	26,626	31,537	13,904

### Summary Description of Business

#### *General*

Westshore operates a coal storage and loading facility at Roberts Bank, British Columbia that is the largest coal loading facility in North America. Westshore receives handling charges from its customers on a per tonne basis. Westshore does not take title to the coal it handles. Market conditions for coal affect the competitiveness of Westshore's customers and, therefore, may affect the volume of coal handled by Westshore. Westshore has contracts to ship coal from mines in British Columbia, Alberta and Montana.

Coal is delivered to the Terminal in unit trains operated by Canadian Pacific Railway, BNSF Railway, and Canadian National Railway. The product is unloaded and either directly loaded onto a ship or stockpiled for future ship loading. The loaded ships are destined around the globe to approximately 18 different countries, with the largest volumes being shipped to Asia.

The Terminal's unique location provides strategic advantages with rail access, storage capacity and vessel handling. These advantages are capable of being utilized for handling other bulk commodities. Westshore will continue to evaluate the feasibility of proposals to handle other commodities as opportunities arise.

#### *Markets & Customers*

Shipments of coal through the Terminal by destination for the past three years were as follows:



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

### Shipments by Destination

(Expressed in thousands of metric tonnes)

	2019		2018		2017	
	Tonnes	%	Tonnes	%	Tonnes	%
Korea	10,456	34	12,164	40	10,848	37
Japan	8,301	27	6,490	21	6,316	22
India	3,599	11	2,708	9	1,399	5
China and Hong Kong	3,126	10	2,551	8	3,786	13
Europe	2,444	8	2,677	9	2,385	8
Taiwan	1,745	6	1,314	4	2,145	7
Vietnam	628	2	793	3	257	1
S. America	264	1	1,539	5	1,669	6
Other	470	1	228	1	229	1
Total	31,033	100	30,464	100	29,034	100

During 2019, 66% of Westshore's volume was steel making coal (57% in 2018) and 34% was thermal coal (42% in 2018).

Westshore's customers compete with other coal miners throughout the world. The major competitors for Westshore's customers are producers with mines in Australia, Indonesia, South Africa and Columbia.

#### *Customer Contracts*

Westshore operates under term contracts with its customers. Most of the contracts entered into in the last five years have terms in the range of five to seven years. In certain cases, Westshore has made short term contracts with new customers being introduced to the Terminal, in anticipation of such contracts leading to longer term arrangements, as has usually happened. Contracts are often renegotiated and extended prior to their expiry.

In 2019 Westshore shipped product for nine distinct customers, and has contracts in place with all of those customers for 2020.

Westshore's contract with Teck Resources, which has been Westshore's largest customer, expires March 31, 2021. Teck is expanding the coal handling capacity of Neptune Terminals and has also announced agreements for additional tonnage through Ridley Terminals. While Westshore remains willing to handle Teck product on acceptable terms, there should be no expectation that a new agreement will be entered into with Teck for shipments after March 31, 2021.

Westshore has entered into contracts with two companies that have metallurgical coal mines under development in Alberta and BC. Those companies are paying reservation fees to secure capacity for future shipments, which are expected to commence after 2022.



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

### *Labour*

All three union locals (502, 514, & 517 of the International Longshore and Warehouse Union) have collective agreements with Westshore that expired on January 31, 2020. Negotiations on new collective agreements are expected to begin shortly and continue through 2020.

## Results of Operations

*(In thousands of Canadian dollars)*

	Three Months Ended		Years Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Revenue:				
Coal loading	100,721	88,199	387,536	356,034
Other	2,270	1,863	7,886	7,335
	102,991	90,062	395,422	363,369
Expenses:				
Operating	44,907	39,615	176,709	163,813
Administrative	5,390	4,726	17,030	16,645
	50,297	44,341	193,739	180,458
Other:				
Foreign exchange gain (loss)	(145)	(542)	867	(1,075)
Loss on disposal of property, plant and equipment	-	(113)	(152)	(113)
Net finance costs	(2,555)	(2,937)	(11,400)	(11,840)
Profit before income tax	49,994	42,129	190,998	169,883
Income tax expense	13,510	11,219	51,613	47,752
Profit for the period	36,484	30,910	139,385	122,131
Other comprehensive income (loss), net of income tax:	11,379	(79)	(2,920)	17,340
Total comprehensive income for the period	47,863	30,831	136,465	139,471

### *Quarterly analysis*

Tonnage shipped for Q4 2019 was 8.2 million tonnes, up 10.9% from 7.4 million tonnes for the same period in 2018. 8.2 million tonnes is the highest volume loaded by Westshore in any Q4 in its history. Of the tonnes shipped in Q4 2019, 67% was metallurgical coal and 33% was thermal coal, compared to 65% and 35% respectively for the same period in the prior year. Coal loading revenue increased by 14.2% to \$100.7 million for Q4 2019 compared to \$88.2 million for the same period in 2018, and the average loading rate in Q4 2019 was \$12.27 per tonne compared to \$11.92 per tonne for the same period in 2018.



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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Operating expenses increased by 13.4% to \$44.9 million for Q4 2019 compared to \$39.6 million for the same period in 2018.

Administration expenses of \$5.4 million in Q4 2019 increased from the \$4.7 million incurred in the same period of 2018.

Net finance costs decreased slightly, primarily driven by higher interest income on cash reserves, to \$2.6 million in Q4 2019 from \$2.9 million during the same period of 2018. The net interest cost components of the employee benefit plan expense, and the right-of-use capital lease interest costs are recorded in net finance costs.

Income tax expense increased to \$13.5 million in Q4 2019 from \$11.2 million in Q4 2018 due to higher profits before taxes in 2019.

Profit in the quarter increased to \$36.5 million in 2019 from \$30.9 million in 2018 as a result of higher revenues, partially offset by higher operating costs and income taxes.

Other comprehensive income or loss includes actuarial gains and losses on the defined benefit post-retirement obligations which are primarily impacted by the discount rate used, membership assumptions and the plan asset performance (relative to actuarial expectations).

After-tax other comprehensive income (loss) for the fourth quarter increased to an income of \$11.4 million in 2019 from a loss of \$0.1 million in 2018. The change in the fourth quarter of 2019 was caused by a 0.25% increase in the discount rate which decreased the post-retirement obligations and plan experience changes from the inclusion of the most recent valuation for the post employment benefit plans. The change in the fourth quarter of 2018 was caused by plan assets performing worse than actuarial expectations, partially offset by changes related to the British Columbia government's elimination of MSP premiums after 2019.

### ***Full year analysis***

Tonnage shipped in 2019 was 31.0 million tonnes, up 1.9% from 30.5 million tonnes in 2018. Of the tonnes shipped in 2019, 66% was metallurgical coal and 34% was thermal coal, compared to 57% and 42% respectively for 2018. Coal loading revenue increased by 8.8% to \$387.5 million in 2019 from \$356.0 million in 2018, and the average loading rate for 2019 was \$12.49 per tonne compared to \$11.69 per tonne for 2018.

Operating expenses increased by 7.9% to \$176.7 million compared to \$163.8 million in 2018.

Administrative expenses increased to \$17.0 million in 2019 from \$16.6 million in 2018.

Net finance costs decreased to \$11.4 million in 2019 from \$11.8 million in 2018, primarily driven by higher interest income on cash reserves. The net interest cost components of the employee benefit plan expense, and the right-of-use capital lease interest costs are recorded in net finance costs.

Income tax expense increased to \$51.6 million in 2019 from \$47.8 million in 2018 due to the higher profits before taxes.



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

Profit increased to \$139.4 million in 2019 from \$122.1 million in 2018, as a result of higher revenues partially offset by higher operating costs and income taxes. On a per share basis this is an increase of 18.4% at \$2.09 in 2019 compared to \$1.76 in 2018.

Other comprehensive income or loss includes actuarial gains and losses on the defined benefit post-retirement obligations which are primarily impacted by the discount rate used, membership assumptions and the plan asset performance (relative to actuarial expectations).

After tax other comprehensive income (loss) decreased to a loss of \$2.9 million in 2019 from an income of \$17.3 million in 2018. The change in 2019 was caused by a 0.75% decrease in the discount rate which increased the post-retirement obligations. This was partially offset by plan assets performing better than actuarial expectations and plan experience changes from the inclusion of the most recent valuation for the post employment benefit plans. The change in 2018 was caused by a 0.50% increase in the discount rate used to assess future obligations, and changes related to the British Columbia government's elimination of MSP premiums after 2019, both of which decreased the post-retirement obligations. This was partially offset by plan assets performing worse during the period relative to actuarial expectations.

### Cash Flows

Cash flows from operations are available to the Corporation to fund capital and other expenditures, establish reserves and pay dividends to and repurchase shares from shareholders.

*(In thousands of Canadian dollars)*

	Three Months Ended		Years Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Operating cash flows before working capital changes, lease obligation interest and income tax payments	58,929	51,825	226,371	206,582
Working capital changes	7,363	9,194	(5,955)	4,020
Lease obligation interest paid	(2,300)	(2,319)	(9,198)	(9,275)
Income tax paid	(9,601)	(12,401)	(47,202)	(37,581)
Cash flows provided by operations	54,391	46,299	164,016	163,746
Cash flows used in financing activities	(14,871)	(41,454)	(61,491)	(134,918)
Cash flows used in investing activities	(1,235)	(14,503)	(20,715)	(47,298)
Increase (decrease) in cash and cash equivalents	38,285	(9,658)	81,810	(18,470)



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### *Quarterly analysis*

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments for the fourth quarter increased by 14% to \$58.9 million in 2019 from \$51.8 million for the same period in 2018. Working capital changes in the fourth quarter resulted in a \$7.4 million inflow in 2019 compared to a \$9.2 million inflow for the same period in 2018, primarily due to changes in accounts receivable and accounts payable which fluctuate depending on timing of receipts and payments. Capital lease interest payments are marginally lower as the lease liability is paid down. Income tax payments in the fourth quarter decreased to \$9.6 million in 2019 from \$12.4 million for the same period in 2018 due to the timing of tax payments. Cash flow from operations in the fourth quarter increased to \$54.4 million in 2019 from \$46.3 million for the same period in 2018.

Cash used in financing activities for the fourth quarter decreased to \$14.9 million in 2019 from \$41.5 million for the same period in 2018. During Q4 2019, the Corporation purchased under its NCIB 311,878 shares for approximately \$5.9 million of which \$1.7 million remained unpaid at year end due to the timing of settlements (Q4 2018 - 733,467 shares purchased for approximately \$17.6 million of which \$1.1 million remained unpaid at year end). During Q4 2018, the Corporation paid \$13.6 million for shares repurchased at the end of the previous quarter. Total cash outlay for dividends paid to shareholders also decreased compared to 2018 as there are fewer shares outstanding.

Cash used in investing activities for the fourth quarter decreased to \$1.2 million in 2019 from \$14.5 million for the same period in 2018 primarily due to timing of payments for capital expenditures. At the end of the quarter, \$5.9 million had been incurred but was not yet invoiced or paid for.

### *Full year analysis*

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments increased by 10% to \$226.4 million in 2019 from \$206.6 million in 2018. Working capital changes resulted in a \$6.0 million outflow in 2019 compared to a \$4.0 million inflow in 2018, primarily due to changes in accounts receivable and accounts payable which fluctuate depending on timing of receipts and payments. Capital lease interest payments are marginally lower as the lease liability is paid down. Income tax payments increased to \$47.2 million in 2019 from \$37.6 million in 2018. Tax instalment payments are based on the previous year's profit, and a final payment for the prior year taxes payable is made in the first quarter of each year. Cash flow from operations increased to \$164.0 million in 2019 from \$163.7 million in 2018.

Cash flows used in financing activities decreased to \$61.5 million in 2019 from \$134.9 million in 2018. This decrease is due to normal course issuer bid share purchases. For the year ended December 31, 2019, the Corporation purchased 850,090 shares under its NCIB for approximately \$17.8 million of which \$1.7 million remained unpaid at year end due to the timing of settlements. The Corporation also paid \$1.1 million for shares repurchased at the end of the previous year, resulting in a total cash outflow of \$17.2 million for share buybacks. For the year ended December 31, 2018, 3,702,700 shares were purchased for approximately \$89.7 million of which \$1.1 million remained unpaid at year end due to the timing of settlements.



# Westshore Terminals Investment Corporation

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Cash flows used in investing activities decreased to \$20.7 million in 2019 from \$47.3 million in 2018 primarily driven from a decrease in capital expenditures. The capital expenditures in both periods consisted primarily of costs capitalized for the recent capital project to replace aging equipment which is now complete. Westshore expects that \$5.9 million of accruals will be paid within the next 12 months.

### Liquidity and Capital Resources

The capital project was entirely financed through the retention of cash and was completed on schedule and under budget. Meeting annual capital requirements, along with managing variations in working capital, are well within Westshore's financial capacity based solely on revenues less expenses, without any need for financing except for material capital improvements. As a result, the Corporation does not anticipate any liquidity concerns with the ongoing operations of Westshore.

In July 2019, Westshore increased its \$30 million operating facility to \$40 million and extended the maturity date. The facility is primarily used for a letter of credit related to pension funding and the increase was to assist with day to day operational liquidity. The facility now matures on August 30, 2022 and is secured by a pledge of all the assets of Westshore. The operating facility bears interest at the 1 month BA rate plus a margin and no repayments will be required until maturity. There is an outstanding letter of credit of \$15.3 million issued under this facility. This is the only amount drawn on the facility at period end.

Westshore has post-retirement benefit obligations under its pension plans and other post-retirement benefit plans which it is required to fund each year. Westshore's cash funding requirements were \$5.7 million in 2019 (2018 - \$5.9 million), which is comprised of \$3.6 million (2018 - \$4.3 million) for contributions to the pension plans and \$2.1 million (2018 - \$1.6 million) for payments for other post-retirement benefits.

The balance sheet at December 31, 2019 reflects \$80.9 million of net obligations for post-retirement pension benefits and other post-retirement benefits compared to \$73.7 million at December 31, 2018. The change in 2019 was primarily caused by a decrease in the discount rate, somewhat offset by stronger plan asset performance and plan experience changes from the inclusion of the most recent valuation for the post employment benefit plans. Based on current benefit levels, every 0.25% decrease or increase in interest rates results in a \$9.5 million increase or decrease respectively in the post-retirement benefits obligations.

Future undiscounted minimum payments under Westshore's material lease obligations are as follows:

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	December 31, 2019
<i>(In thousands of Canadian dollars)</i>	
Less than 1 year	\$ 11,701
Between 1 and 5 years	46,856
More than 5 years	500,158
	<u>\$ 558,715</u>

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In addition to the above minimum lease payments, Westshore also pays an annual participation rental fee to Vancouver Fraser Port Authority ("VFPA") based on the volume of coal shipped in excess of 17.6 million tonnes.





# Westshore Terminals Investment Corporation

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As at December 31, 2019, Westshore has a commitment of \$10.7 million with respect to equipment purchases that are to be delivered and paid for in the next 12 months.

Westshore does not have any material other long-term obligations.

### *Financial Instruments*

Westshore receives some of its revenue in U.S. dollars and is therefore exposed to foreign currency exchange rate risk. Westshore enters into foreign currency contracts for a portion of its exposed revenue to mitigate that risk. The value of these financial instruments fluctuates with changes in the USD/CAD dollar exchange rate.

As at December 31, 2019, Westshore had entered into put options with notional amounts totalling US\$21.0 million to exchange U.S. dollars for Canadian dollars with a strike price of \$1.338. The counterparty has call options with notional amounts totalling US\$21.0 million to exchange U.S. dollars for Canadian dollars with a strike price of \$1.275.

As these foreign exchange contracts have not been designated as hedges, the fair value of these foreign exchange contracts at December 31, 2019, reflects an asset of \$50,000 (measured based on Level 2 of the fair value hierarchy), and has been recorded in other assets and a gain of \$1,068,000 has been recognized in foreign exchange gain (loss) for the year ended December 31, 2019.

The carrying amounts of these contracts are equal to fair value, which is based on valuations obtained from the counterparty. The mark-to-market value is determined by the counterparty by multiplying the notional amount of the trade with the difference between the forward rate and the contract rate and discounting the resultant asset or liability by an applicable discount factor.

### **Distributions**

Distributions by the Corporation over the last two years were as follows:

<i>(In thousands of Canadian dollars except per share amounts)</i>	2019	2018
	\$	\$
Total Dividends on Common Shares	42,650	44,036
Total Dividends per Common Share	0.64	0.64

The dividend is subject to periodic review based on factors including operating performance, current and anticipated market conditions, funds applied to repurchase shares, other opportunities that may come before Westshore, and other potential capital upgrade projects. Provided our share price continues to make share repurchases advantageous to the Corporation, we anticipate using a portion of any excess cash from our operations to repurchase common shares.





# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### Outlook

The cash inflows of the Corporation are entirely dependent on Westshore's operating results. They are affected by the volume and mix of coal shipped through the Terminal, the rates charged to customers for the handling of that coal, and Westshore's operating and administrative costs.

The variance in revenues from in 2020 from 2019 will ultimately be impacted by numerous factors, including total volumes shipped through the Terminal, the distribution of throughput by customer and foreign exchange rates. Based on current information, 2020 throughput volumes are anticipated to be approximately 30.5 million tonnes at loading rates comparable to 2018 rates.

On March 31, 2021 the 10-year agreement with Teck, which provided for 19 million tonnes of volume annually through Westshore, will expire. As of the date of this report, there is no agreement with Teck to handle coal beyond March 31, 2021.

Westshore is currently anticipating a material reduction in throughput volumes in 2021 and 2022 as compared to recent years.

### Related Party Transactions

The Manager provides management services to Westshore pursuant to a management agreement (the "Management Agreement"). Westshore pays an annual management fee to the Manager and an incentive fee based on a percentage of annual profit above \$42 million, subject to a cap of \$7.5 million per annum. The annual base management fee for 2019 was \$1,639,000 (2018 - \$1,591,000) which will escalate at 3% annually. The incentive fee for the year ended December 31, 2019 was \$6,759,000 and was paid subsequent to December 31, 2019 (2018 - \$5,831,000 paid in 2019).

The Manager also provides administration services to the Corporation pursuant to an administration agreement. The Corporation pays an annual administration fee in monthly installments. The fee paid to the Manager for 2019 was \$546,000 (2018 - \$530,000), which will increase by 3% per annum.

### Changes in Accounting Policies

The Corporation's accounting policies are found in note 3 of the Corporation's financial statements. There were no significant changes in accounting policies in 2019 except for the adoption of the new accounting standards for leases (IFRS 16). For further details, please see note 3 (m) in the audited consolidated financial statements.



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with IFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and contingencies. These estimates are based on historical experience and on assumptions that are considered at the time to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from those previously estimated.

The following is a discussion of the accounting estimates that are significant in determining the Corporation's financial results.

#### *Property, plant and equipment: Depreciation*

Property, plant and equipment are stated at cost less accumulated depreciation. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Depreciation is calculated using the straight line method over the estimated useful production life of the assets. The estimated useful lives of property, plant and equipment range from 3 to 35 years and are reviewed annually. A change in the estimated useful lives of property, plant and equipment could result in either a higher or lower depreciation charge to profit for the period.

#### *Asset Retirement Obligations*

Westshore is required to recognize the fair value of an estimated asset retirement obligation when a legal or constructive obligation is present, a reliable estimate of the obligation can be made and it is probable that Westshore will be required to settle the obligation. At the expiry of the Terminal's lease, the VFPA has the option to acquire the assets of the Terminal at fair value or require Westshore to return the site to its original condition. Westshore believes that the probability that the VFPA will elect to enforce site restoration is remote. Any change in the estimate of the probability of incurring such costs could have a material impact on the asset retirement obligation.

#### *Capital Lease Obligation*

The capital lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Westshore's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Westshore's estimate of the amount expected to be payable under a residual value guarantee or if Westshore changes its assessment of whether it will exercise a purchase, extension or termination option. Any change in the incremental borrowing rate of Westshore could have a material impact on the lease obligation.



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### *Goodwill*

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired, by comparing the fair value of Westshore to its carrying value, including goodwill. If the fair value of Westshore is less than its carrying value, a goodwill impairment loss is recognized as the excess of the carrying value of the goodwill over the fair value of the goodwill. The determination of fair value requires management to make assumptions and estimates about future coal loading rates, customer shipments, operating costs, foreign exchange rates and discount rates. Changes in any of these assumptions, such as lower coal loading rates, a decline in customer shipments, an increase in operating costs or an increase in discount rates could result in an impairment of all or a portion of the goodwill carrying value in future periods.

### *Employee Future Benefits*

Westshore has post-retirement benefit obligations under its pension plans and other post-retirement benefit plans, the costs of which are based on estimates. Actuarial calculations of benefit costs and obligations depend on Westshore's assumptions about future events. Major estimates and assumptions relate to expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs, as well as discount rates, withdrawal rates and mortality rates.

### *Deferred Income Taxes*

Deferred income tax assets and liabilities have been recognized for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet. The deferred income tax balances can be affected by a change in the estimate of when temporary differences reverse, the likelihood of realization of deferred tax assets, and the classification of assets for tax purposes.

## **Internal Controls Over Financial Reporting**

The Corporation maintains a system of internal controls over financial reporting, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("National Instrument 52-109"), in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial information for external purposes in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer of the Corporation have caused to be evaluated under their supervision, the effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2019. Based on that assessment, it was determined that the internal controls over financial reporting were appropriately designed and were operating effectively. No material changes were identified in the Corporation's internal controls over financial reporting during the year ended December 31, 2019 that have materially affected the Corporation's internal controls over financial reporting or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.

It should be noted that a control system, including the Corporation's internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

### Disclosure Controls And Procedures

“Disclosure controls and procedures” are defined as follows in National Instrument 52-109:

“Disclosure controls and procedures” means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation and include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is accumulated and communicated to the issuer’s management, including its chief executive officer and chief financial officer (or persons who perform similar functions to a chief executive officer or a chief financial officer), as appropriate to allow timely decisions regarding required disclosure.”

As required by National Instrument 52-109, the Chief Executive Officer and the Chief Financial Officer of the Corporation, in conjunction with management of the General Partner, have evaluated the effectiveness of the design and tested the operation of the disclosure controls and procedures of Westshore, the General Partner and the Corporation as of December 31, 2019 and have concluded that such disclosure controls and procedures provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in such legislation.

Additional information relating to the Corporation and Westshore, including the Corporation’s annual information form, is available at [www.sedar.com](http://www.sedar.com).

### Management’s Report

The consolidated financial statements and other information in this annual report have been prepared by and are the responsibility of the management of the Corporation. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect where necessary management’s best estimates and judgments.

Management is also responsible for maintaining systems of internal and administrative controls to provide reasonable assurance that the Corporation’s assets are safeguarded, that transactions are properly executed in accordance with appropriate authorization and that the accounting systems provide timely, accurate and reliable financial information.

The Directors are responsible for assuring that management fulfills its responsibility for financial reporting and internal control. The Directors perform this responsibility at meetings where significant accounting, reporting and internal control matters are discussed and the consolidated financial statements and annual report are reviewed and approved.



# Westshore Terminals Investment Corporation

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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The consolidated financial statements have been audited on behalf of the shareholders by KPMG LLP, Chartered Professional Accountants, in accordance with International Financial Reporting Standards. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

(Signed) "William W. Stinson"

William W. Stinson

*Director*

(Signed) "M. Dallas H. Ross"

M. Dallas H. Ross

*Director*

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Note	December 31, 2019	December 31, 2018 (Restated note 3)	January 1, 2018 (Restated note 3)
<b>Assets</b>				
Current assets:				
Cash and cash equivalents		\$ 131,858	\$ 50,048	\$ 68,518
Accounts receivable		20,252	15,430	16,733
Inventories		16,122	14,360	14,283
Prepaid expenses		2,319	2,181	2,134
Income taxes recoverable		4,330	-	13,432
		174,881	82,019	115,100
Property, plant and equipment:	5			
At cost		645,987	635,257	822,485
Accumulated depreciation		(260,008)	(241,628)	(448,651)
		385,979	393,629	373,834
Right-of-use assets	3	280,040	285,998	291,956
Goodwill		365,541	365,541	365,541
Other assets	13	866	1,633	2,774
		\$ 1,207,307	\$ 1,128,820	\$ 1,149,205
<b>Liabilities and Shareholders' Equity</b>				
Current liabilities:				
Accounts payable and accrued liabilities		\$ 56,244	\$ 66,671	\$ 76,759
Income tax payable		-	3,866	-
Deferred revenue		7,126	5,511	5,611
Other liabilities	13	-	1,018	-
Lease obligation current portion	3	2,582	2,426	2,426
Dividends payable to shareholders	9	10,637	10,767	11,350
		76,589	90,259	96,146
Deferred revenue		22,940	22,929	20,239
Deferred income taxes	8	31,045	19,518	20,231
Employee future benefits	11	80,910	73,667	93,501
Lease obligation	3	285,987	288,646	291,072
		497,471	495,019	521,189
Shareholders' equity (deficit):				
Share capital	9	1,525,522	1,545,057	1,630,145
Deficit		(815,686)	(911,256)	(1,002,129)
		709,836	633,801	628,016
		\$ 1,207,307	\$ 1,128,820	\$ 1,149,205

Commitments and contingencies (note 15)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

(Signed) "William W. Stinson"

William W. Stinson

Director

(Signed) "M. Dallas H. Ross"

M. Dallas H. Ross

Director

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statements of Comprehensive Income  
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2019 and 2018

	Note	2019	2018 (Restated note 3)
<b>Revenue:</b>			
Coal loading		\$ 387,536	\$ 356,034
Other		7,886	7,335
		<u>395,422</u>	<u>363,369</u>
<b>Expenses:</b>			
Operating	4	176,709	163,813
Administrative		17,030	16,645
		<u>193,739</u>	<u>180,458</u>
<b>Other:</b>			
Foreign exchange gain (loss)		867	(1,075)
Loss on disposal of property, plant and equipment		(152)	(113)
Net finance costs	6	(11,400)	(11,840)
		<u>190,998</u>	<u>169,883</u>
Profit before income tax		190,998	169,883
Income tax expense	7	51,613	47,752
		<u>139,385</u>	<u>122,131</u>
<b>Other comprehensive income (loss):</b>			
Items that will not be recycled to net income:			
Defined benefit plan actuarial gains (losses)	11	(4,000)	23,754
Income tax recovery (expense) on other comprehensive loss	7	1,080	(6,414)
		<u>Other comprehensive income (loss) for the year, net of income tax</u>	<u>17,340</u>
		(2,920)	17,340
<b>Total comprehensive income for the year</b>		<b>\$ 136,465</b>	<b>\$ 139,471</b>
<b>Profit per share:</b>			
Basic and diluted earnings per share	10	\$ 2.09	\$ 1.76
Weighted average number of shares outstanding		66,724,299	69,206,278

See accompanying notes to consolidated financial statements.

## WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statements of Changes in Equity  
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2019 and 2018

	Share capital	Deficit	Total
Balance at January 1, 2018, as previously reported	\$ 1,630,145	\$ (1,001,003)	\$ 629,142
Impact of change in accounting policy (note 3)	-	(1,126)	(1,126)
Restated balance at January 1, 2018	1,630,145	(1,002,129)	628,016
Restated profit for the year	-	122,131	122,131
Other comprehensive income:			
Defined benefit plan actuarial gains, net of tax	-	17,340	17,340
Restated total comprehensive income for the year	-	139,471	139,471
Distributions to shareholders of the Corporation:			
Dividends declared to shareholders	-	(44,036)	(44,036)
Adjustments due to share repurchases	(85,088)	(4,562)	(89,650)
Restated balance at December 31, 2018	\$ 1,545,057	\$ (911,256)	\$ 633,801

	Share capital	Deficit	Total
Balance as at January 1, 2019, as previously reported	\$ 1,545,057	\$ (907,552)	\$ 637,505
Impact of change in accounting policy (note 3)	-	(3,704)	(3,704)
Restated balance as at January 1, 2019	1,545,057	(911,256)	633,801
Profit for the year	-	139,385	139,385
Other comprehensive loss:			
Defined benefit plan actuarial losses, net of tax	-	(2,920)	(2,920)
Total comprehensive income for the year	-	136,465	136,465
Distributions to shareholders of the Corporation:			
Dividends declared to shareholders	-	(42,650)	(42,650)
Adjustments due to share repurchases	(19,535)	1,755	(17,780)
Balance at December 31, 2019	\$ 1,525,522	\$ (815,686)	\$ 709,836

See accompanying notes to consolidated financial statements.



# WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

Years ended December 31, 2019 and 2018

	2019	2018 (Restated note 3)
Cash provided by (used in):		
Operations:		
Profit for the year	\$ 139,385	\$ 122,131
Adjustments for:		
Foreign exchange contracts	(1,068)	1,343
Depreciation	24,868	22,690
Employee future benefits liability	21	713
Net finance costs	11,400	11,840
Income tax expense	51,613	47,752
Loss on disposal of property, plant and equipment	152	113
	226,371	206,582
Changes in non-cash operating working capital and other:		
Accounts receivable	(4,822)	1,303
Inventories	(1,762)	(77)
Prepaid expenses	(138)	(47)
Accounts payable and accrued liabilities	(859)	251
Deferred revenue	1,626	2,590
	(5,955)	4,020
Lease obligation interest paid	(9,198)	(9,275)
Income taxes paid	(47,202)	(37,581)
	164,016	163,746
Financing:		
Interest received	1,020	642
Dividends paid to shareholders	(42,780)	(44,620)
Share purchases	(17,228)	(88,514)
Lease obligation	(2,503)	(2,426)
	(61,491)	(134,918)
Investments:		
Property, plant and equipment, net	(21,532)	(48,114)
Other assets	817	816
	(20,715)	(47,298)
Increase (decrease) in cash and cash equivalents	81,810	(18,470)
Cash and cash equivalents, beginning of the year	50,048	68,518
Cash and cash equivalents, end of the year	\$ 131,858	\$ 50,048
Supplemental information:		
Non-cash transactions:		
Shares purchased but not settled at year end	\$ (1,688)	\$ (1,136)
Capital expenditures unpaid at year end	5,942	16,062

See accompanying notes to consolidated financial statements.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

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## 1. Reporting entity:

Westshore Terminals Investment Corporation was incorporated under the *Business Corporation Act* (British Columbia) on September 28, 2010 and is domiciled in Canada. The registered and head office is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7. These consolidated financial statements as at and for the year ended December 31, 2019 comprises Westshore Terminals Investment Corporation and its subsidiaries (together referred to as the “Corporation”). The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership (“Westshore”), a partnership established under the laws of British Columbia.

The Corporation derives its cash inflows from its investment in Westshore by way of distributions on Westshore’s limited partnership units. Westshore operates a coal storage and loading terminal at Roberts Bank, British Columbia (the “Terminal”). Substantially all of Westshore’s operating revenues are derived from rates charged for loading coal onto seagoing vessels.

## 2. Basis of preparation:

### (a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2020.

### (b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- non derivative financial instruments classified as fair value through profit or loss are measured at fair value;
- derivative financial instruments are measured at fair value;
- the defined benefit obligation is recognized as the present value of the defined benefit obligation, less plan assets at fair value; and
- lease obligations are measured at amortised cost using the effective interest rate method.

### (c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation and its subsidiaries’ functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

### (d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment relate to the determination of net recoverable value of assets, useful lives of plant and equipment, asset retirement obligations, measurement of lease obligations, measurement of defined benefit obligations, derivative instruments and deferred income tax amounts.

### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

(ii) Transactions eliminated on consolidation:

Intra-corporation balances and transactions, and any unrealized income and expenses arising from intra-corporation transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency:

The functional and reporting currency of the Corporation and its subsidiaries is the Canadian dollar. Transactions which are denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. The carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each reporting date to reflect exchange rates prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses are recognized under 'Foreign exchange gain (loss)' in profit or loss.

(c) Financial instruments:

Financial instruments comprise cash and cash equivalents, accounts receivable, derivative instruments and accounts payable and accrued liabilities. The Corporation uses derivative financial instruments in the normal course of its operations as a means to manage its foreign exchange risk. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Corporation's derivative financial instruments are not designated as hedges for accounting purposes.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

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The Corporation's financial instruments are classified and measured as follows:

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Financial Assets

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost

Financial Liabilities

Accounts payable and accrued liabilities	Amortized cost
Derivative instruments	FVTPL

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*Classification and measurement of financial assets*

Financial assets are classified as: measured at amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit and loss ("FVTPL") based on the business model in which a financial asset is managed and its contractual cash flow characteristics and when certain conditions are met:

- Amortized cost – measured at amortized cost using the effective interest rate method. Where applicable, amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income.
- FVOCI – measured at FVOCI if not designated as FVTPL. Interest income, foreign exchange gains and losses and impairment are recognized in net income. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to net income.
- FVTPL – measured at FVTPL if not classified as amortized cost or FVOCI with net gains and losses, including any interest or dividend income, recognized in net income.

Equity investments are required to be classified as measured at fair value. However, on initial recognition of an equity investment that is not held-for-trading, the Corporation may irrevocably elect to present subsequent changes in the investments fair value in OCI. This election is made on an investment by investment basis. The Corporation does not have any equity investments.

*Classification and measurement of financial liabilities*

Financial liabilities are classified as either measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value with net gains and losses, including interest expense, recognized in net income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in net income. Any gains or losses on derecognition are also recognized in net income.

(d) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant, and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

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Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Borrowing costs attributable to the construction of a qualifying asset are included in the cost of the asset. Other borrowing costs are recognized as an expense.

When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment.

The gain or loss on disposal of an item of property, plant, and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant, and equipment, and is recognized net within other income/expenses in profit or loss.

(ii) Depreciation:

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of the asset, then that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant, and equipment. The estimated useful lives for the current and comparative periods are as follows:

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Asset	Term
Automobiles	3 years
Conveyor belts	5 years
Computer software	3 years to 5 years
Mobile equipment	5 years to 25 years
Land improvements	15 years to 30 years
Buildings	8 years to 35 years
Fixed machinery	8 years to 35 years

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Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Impairment:

*Non-Financial assets*

The carrying values of the Corporation's non-financial assets are reviewed at each reporting date to assess whether there is any indication of impairment. If any such indication is present, then the recoverable amount of the assets is estimated.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

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The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Corporation applies the simplified approach in determining expected credit losses (“ECLs”), which requires a probability-weighted estimate of expected lifetime credit losses to be recognized upon initial recognition of financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets.

## (f) Goodwill:

Goodwill is recognized on a business combination at the acquisition date and is initially measured at the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Any excess of the carrying value over fair value is charged to profit or loss in the period in which the impairment is determined.

## (g) Leases

The Corporation has applied IFRS 16 using the full retrospective approach with comparative prior periods restated to reflect the changes.

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

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## *As a lessee:*

At commencement or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Corporation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets that do not meet the definition of investment property in 'right-of-use asset' and lease liabilities in 'lease obligation' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Corporation has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment and vehicles. The Corporation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (h) Inventories:

Inventories of spare parts and supplies are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method and includes the invoiced cost and other directly attributable costs of acquiring the inventory.

#### (i) Employee benefits:

##### *Defined benefit plans*

A defined benefit plan is a post-retirement benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate used to determine the present value of the obligation is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the term of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on the date of improvement.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and expenses related to defined benefit plans in profit or loss.



# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## *Other long-term employee benefits*

The Corporation's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise.

### (j) Revenue:

Coal loading revenue is recognized when a customer's coal is loaded onto a ship. Coal loading revenue is recorded based on contract specific loading rates. Other revenue includes all revenue other than coal loading revenue and principally relates to fees earned under take or pay contracts where the coal has not been delivered. Other revenue also includes revenue earned for securing future volumes which is initially deferred and recognized over the term of the contract and wharfage fees which are recorded based upon the period of time a ship is at the terminal.

### (k) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## *Decommissioning liabilities*

The Corporation's terminal site is leased from the Vancouver Fraser Port Authority (the "VFPA"). The current lease agreement became effective as of January 1, 2015 and runs until December 31, 2026. It may be extended at Westshore's option for further periods up to 40 years. At the expiry of the lease term, assuming the Corporation has not been successful in further extending the lease, the VFPA has the option to acquire the assets of the terminal at fair value or require the Corporation to return the site to its original condition. The Corporation believes that the probability that the VFPA will elect to enforce site restoration is remote.

### (l) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary difference, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Comparative information:

Certain of the information presented for comparative purposes has been reclassified to conform to the financial statement presentation adopted for the current year.

(n) Changes in accounting policies:

IFRS 16 – *Leases*

The Corporation has applied IFRS 16 - *Leases* with a date of initial application of January 1, 2019. As a result, the Corporation has changed its accounting policy for lease contracts as detailed below. The Corporation has applied this standard using the full retrospective approach.

At inception of a contract, the Corporation assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Corporation has the right to direct the use of the asset if either:
  - The Corporation has the right to operate the asset; or
  - The Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

The Corporation has applied this approach to contracts entered into or changed on or after January 1, 2019. The Corporation's approach to other contracts is explained below.

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The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has a land lease with the Vancouver Fraser Port Authority ("VFPA") which has been identified as a material lease contract. Information about this lease is presented below. No other material lease contracts were identified.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## Right-of-use asset

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### 2018

Balance at January 1 (restated)	291,956
Depreciation charge for the year (restated)	(5,958)
Balance at December 31 (restated)	285,998

### 2019

Balance at January 1	285,998
Depreciation charge for the year	(5,958)
Balance at December 31	280,040

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There were no additions to right-of-use assets during 2019 (2018 – nil).

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<b>Lease liability</b>	2019	2018
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### Maturity analysis – contractual undiscounted cash flows

Less than one year	11,701	11,792
One to five years	46,856	46,918
More than five years	500,158	511,911
<b>Total undiscounted lease liabilities at year end</b>	<b>558,715</b>	<b>570,621</b>

### Lease liabilities included in the statement of financial position at year end

Current	2,582	2,426
Non-current	285,987	288,646

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<b>Amounts recognised in profit or loss</b>	2019	2018
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Interest on lease liabilities	9,198	9,275
Variable lease payments not included in the measurement of lease liabilities	10,097	9,959
Expenses relating to short-term and low value asset leases	199	275

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<b>Amounts recognised in the statement of cash flows</b>	2019	2018
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Total cash outflow for leases	11,900	11,976
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# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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## **Definition of a lease:**

Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRIC 4, the Corporation assessed a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Corporation applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases on the balance sheet.

The Corporation has applied the recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating under IAS 17, the Corporation recognized right-of-use assets and lease liabilities.

For leases that were not covered by the recognition exemptions under IFRS 16, the Corporation recognized right-of-use assets and lease liabilities measured under IFRS 16. The Corporation also tested right-of-use assets for impairment. None of the leased assets were impaired for the period ended December 31, 2019.

## **Impacts on financial statements:**

Adoption of the standard resulted in the following changes to the Corporation's consolidated financial statements:

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

## Consolidated Statements of Financial Position

January 1, 2018	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
Right-of-use assets	-	291,956	291,956
Other	857,249	-	857,249
<b>Total assets</b>	<b>857,249</b>	<b>291,956</b>	<b>1,149,205</b>
Lease obligation current portion	-	2,426	2,426
Lease obligation	-	291,072	291,072
Deferred income taxes	20,647	(416)	20,231
Other	207,460	-	207,460
<b>Total liabilities</b>	<b>228,107</b>	<b>293,082</b>	<b>521,189</b>
Share capital	1,630,145	-	1,630,145
Deficit	(1,001,003)	(1,126)	(1,002,129)
<b>Total shareholders' equity (deficit)</b>	<b>629,142</b>	<b>(1,126)</b>	<b>628,016</b>

December 31, 2018	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
Right-of-use assets	-	285,998	285,998
Other	842,822	-	842,822
<b>Total assets</b>	<b>842,822</b>	<b>285,998</b>	<b>1,128,820</b>
Lease obligation current portion	-	2,426	2,426
Lease obligation	-	288,646	288,646
Deferred income taxes	20,888	(1,370)	19,518
Other	184,429	-	184,429
<b>Total liabilities</b>	<b>205,317</b>	<b>289,702</b>	<b>495,019</b>
Share capital	1,545,057	-	1,545,057
Deficit	(907,552)	(3,704)	(911,256)
<b>Total shareholders' equity (deficit)</b>	<b>637,505</b>	<b>(3,704)</b>	<b>633,801</b>

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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## Consolidated Statements of Comprehensive Income

For the year ended December 31, 2018	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
Revenue	363,369	-	363,369
Operating expenses	169,556	(5,743)	163,813
Administrative expenses	16,645	-	16,645
Foreign exchange loss	1,075	-	1,075
Loss on disposal of plant equipment	113	-	113
Net finance cost	2,565	9,275	11,840
Income tax expense	48,706	(954)	47,752
Profit for the period	124,709	(2,578)	122,131
Total comprehensive income for the period	142,049	(2,578)	139,471

## Consolidated Statements of Cash Flows

For the period ended December 31, 2018	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
Profit for the year	124,709	(2,578)	122,131
Adjustments for:			
Foreign exchange contracts	1,343	-	1,343
Depreciation	16,732	5,958	22,690
Employee future benefits liability	713	-	713
Net finance costs	2,565	9,275	11,840
Income tax expense	48,706	(954)	47,752
Loss on disposal of plant equipment	113	-	113
Changes in non-cash operating working capital	4,020	-	4,020
Lease obligation interest paid	-	(9,275)	(9,275)
Income taxes paid	(37,581)	-	(37,581)
<b>Net cash from operating activities</b>	<b>161,320</b>	<b>2,426</b>	<b>163,746</b>
Lease obligation	-	(2,426)	(2,426)
Other	(132,492)	-	(132,492)
<b>Net cash from financing activities</b>	<b>(132,492)</b>	<b>(2,426)</b>	<b>(134,918)</b>
<b>Net cash from investing activities</b>	<b>(47,298)</b>	<b>-</b>	<b>(47,298)</b>

Application of the new standard does not have a negative impact on any bank covenant calculations.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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## 4. Expenses:

Recorded in operating and administrative expenses on the consolidated statements of comprehensive income was:

	2019	2018
Salaries, wages and benefits	\$ 96,789	\$ 92,186
Depreciation	24,868	22,690
Other	72,082	65,582
Expenses	\$ 193,739	\$ 180,458



# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## 5. Property, plant and equipment:

	Buildings and land improvements	Machinery and equipment	Construction in progress	Total
<b>Cost:</b>				
Balance at January 1, 2018	\$ 80,616	\$ 643,868	\$ 98,001	\$ 822,485
Additions	-	-	36,645	36,645
Transfers	-	38,444	(38,444)	-
Disposals <sup>(1)</sup>	-	(223,873)	-	(223,873)
Balance at December 31, 2018	80,616	458,439	96,202	635,257
Balance at January 1, 2019	80,616	458,439	96,202	635,257
Additions	-	-	11,461	11,461
Transfers	1,878	83,280	(85,157)	-
Disposals	-	(731)	-	(731)
Balance at December 31, 2019	\$ 82,494	\$ 540,988	\$ 22,506	\$ 645,987
<b>Accumulated depreciation:</b>				
Balance at January 1, 2018	\$ 33,131	\$ 415,520	\$ -	\$ 448,651
Depreciation	1,816	14,916	-	16,732
Disposals <sup>(1)</sup>	-	(223,755)	-	(223,755)
Balance at December 31, 2018	34,947	206,681	-	241,628
Balance at January 1, 2019	34,947	206,681	-	241,628
Depreciation	1,769	17,141	-	18,910
Disposals	-	(530)	-	(530)
Balance at December 31, 2019	\$ 36,716	\$ 223,292	\$ -	\$ 260,008
<b>Carrying amounts:</b>				
At December 31, 2018	\$ 45,669	\$ 251,758	\$ 96,202	\$ 393,629
At December 31, 2019	45,778	317,696	22,506	385,979

(1) During 2018, the Corporation identified certain fully amortized assets that are no longer in use. These assets have been disposed of for no consideration and no gain.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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## 6. Finance costs:

	2019	2018
Interest income, net	\$ (1,020)	\$ (642)
Employee benefit interest expense, net	3,222	3,207
Lease interest	9,198	9,275
Net finance costs	\$ 11,400	\$ 11,840

## 7. Income tax expense:

	2019	2018
Tax expense recognized in profit		
Current income tax expense	\$ 39,006	\$ 54,879
Deferred tax expense (recovery)	12,607	(7,127)
	\$ 51,613	\$ 47,752

Tax expense (recovery) recognized in other comprehensive income		
Defined benefit plans	\$ (1,080)	\$ 6,414

	2019	2018
Reconciliation of effective tax rate:		
Profit before income tax	\$ 190,998	\$ 169,883
Statutory rate	27.00%	27.00%
Expected income tax expense	51,570	45,868
Permanent differences	43	43
Audit reassessments	-	1,841
Actual income tax expense	\$ 51,613	\$ 47,752

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## 8. Deferred tax assets and liabilities:

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Non-pension defined benefits liability	\$ 21,619	\$ 19,252
Post-retirement benefits	227	638
Financing fees	15	6
Hedging	(13)	275
Capital lease obligation	77,914	78,589
Total assets	99,762	98,760
Deferred tax liabilities:		
Property, plant and equipment	(55,196)	(41,058)
Right-of-use assets	(75,611)	(77,220)
Total liabilities	(130,807)	(118,278)
Net deferred income tax liabilities	\$ (31,045)	\$ (19,518)

## 9. Share capital:

Authorized:

Unlimited number of common shares, no par value

Issued:

	Common shares	
	2019	2018
66,473,855 (2018 - 67,289,787) issued and outstanding common shares	\$ 1,525,522	\$ 1,545,057

The holders of the common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Corporation.

During the year ended December 31, 2019, the Corporation repurchased 850,090 (2018 - 3,702,700) shares for \$17,780,000 (2018 - \$89,650,000), under the Corporation's normal course issuer bid. Of these shares, 89,108 shares valued at \$1,688,000 settled in 2020.

Subsequent to year end, the Corporation repurchased 818,908 shares for a total cost of \$14,142,000. The shares have been cancelled and will result in a decrease to deficit and common shares.

The Corporation has declared the following dividends in 2019 (2018 - \$44,036,000).

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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Record Date	Payment Date	Per Share	Total
March 31	April 15	\$ 0.16	\$ 10,671
June 30	July 15	0.16	10,672
September 30	October 15	0.16	10,670
December 31	January 15	0.16	10,637
			\$ 42,650

## 10. Profit per share:

The calculation of basic profit per share for the year ended December 31, 2019 was based on profit attributable to shareholders and a weighted average number of common shares outstanding.

	2019	2018
Profit for the year	\$ 139,385	\$ 122,131
Weighted average number of Common shares outstanding	66,724,299	69,206,278
Basic and diluted earnings per share	\$ 2.09	\$ 1.76
Shares repurchased	850,090	3,702,700
Total cost of shares repurchased	\$ 17,780	\$ 89,650

The Corporation has no dilutive securities.

## 11. Employee future benefits:

The Corporation makes contributions to two non-contributory defined benefit plans and one non-contributory defined contribution plan that provide pension benefits for employees upon retirement. The Corporation also provides two non-contributory, other post-retirement benefit plans that provide retiring allowances and other medical benefits after retirement.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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	December 31, 2019	December 31, 2018
Present value of unfunded obligations	\$ 80,070	\$ 71,303
Present value of funded obligations	146,954	134,228
Impact of maximum balance sheet item	-	57
Total present value of obligations	227,024	205,588
Fair value of plan assets	(146,114)	(131,921)
Recognized liability for defined benefit obligations	\$ 80,910	\$ 73,667

Plan assets are comprised of the following investments:

	2019	2018
Equity securities	\$ 70,266	\$ 60,444
Fixed income securities	36,090	35,763
Alternatives	36,558	30,313
Cash and cash equivalents	3,200	5,401
	\$ 146,114	\$ 131,921

## ***Asset and Liability Movements:***

<b>Movement in the present value of the defined benefit obligations</b>	<u>Pension obligations</u>		<u>Other post retirement benefits</u>	
	December 31,		December 31,	
	2019	2018	2019	2018
Defined benefit obligation at January 1	\$ 134,228	\$ 145,061	\$ 71,303	\$ 83,768
Benefits paid by the plan	(5,690)	(5,396)	(2,146)	(1,704)
Current and past service costs and interest (see below)	7,838	7,611	5,792	6,513
Actuarial losses (gains) in other comprehensive income (see below)	10,578	(13,048)	5,121	(17,274)
Defined benefit obligations	\$ 146,954	\$ 134,228	\$ 80,070	\$ 71,303

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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Movement in the fair value of the defined benefit plan assets	Pension assets		Other post retirement benefits	
	December 31,		December 31,	
	2019	2018	2019	2018
Fair value of plan assets at January 1	\$ 131,921	\$ 135,328	\$ -	\$ -
Contributions paid into the plan	3,560	4,343	2,146	1,704
Benefits paid by the plan	(5,690)	(5,396)	(2,146)	(1,704)
Expected return on plan assets (see below)	4,903	4,377	-	-
Non-investment expense (see below)	(220)	(220)	-	-
Actuarial gains (losses) in other comprehensive income (see below)	11,640	(6,511)	-	-
Fair value of plan assets	\$ 146,114	\$ 131,921	\$ -	\$ -

## ***Profit and Loss:***

Profit and loss includes the following amounts in respect of post-retirement obligations:

Pension obligations expense recognized in profit and loss	2019	2018
Service costs:		
Current service costs	\$ 1,732	\$ 1,831
Past service costs	1,003	1,038
Non-investment expenses	220	220
	2,955	3,089
Net interest costs		
Interest cost	5,105	4,742
Expected return on plan assets	(4,903)	(4,377)
	202	365
	\$ 3,157	\$ 3,454

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

<b>Other post-retirement benefits expense recognized in profit and loss</b>	2019	2018
Current service costs	\$ 2,770	\$ 3,671
Interest costs	3,022	2,842
	<b>\$ 5,792</b>	<b>\$ 6,513</b>

The current and past service costs are recognized in operating expenses and net interest costs are included in net finance costs.

<b>Actuarial gains (losses) recognized in other comprehensive income</b>	2019	2018
Cumulative amount at beginning of year	\$ 5,611	\$ (18,143)
Actuarial gain - plan experience	9,519	910
Actuarial gain - demographic assumption changes	-	6,091
Actuarial gain (loss) - financial assumption changes	(25,218)	23,321
Actuarial gain (loss) - maximum balance sheet item	59	(57)
Return on plan assets greater (less) than expected return	11,640	(6,511)
Cumulative amount at December 31	<b>\$ 1,611</b>	<b>\$ 5,611</b>

### ***Funding and Assumptions:***

The pension plans are entirely funded by the Corporation. The Corporation's contributions to the pension plans are based on independent actuarial valuations. The other benefit plans have no assets and an annual expense is recorded on an accrual basis based on independent actuarial determinations, considering among other factors, health care cost escalation.

During the year ended December 31, 2019, the Corporation made total contributions of \$5,706,000 to all of its pension and other benefit plans.

The financial information with respect to the defined benefit pension plan obligations is based on the following funding valuations:

	Most recent valuation date	Date of next required valuation
Union Pension plan	January 1, 2019	January 1, 2020
Salaried Retirement plan	January 1, 2019	January 1, 2022

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations (and costs) are as follows (weighted average assumptions as of December 31):

	2019		2018	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit obligations:				
Discount rate at December 31	3.00%	3.00%	3.75%	3.75%
Benefit costs:				
Discount rate at January 1	3.75%	3.75%	3.25%	3.25%
Expected long-term rate of return on plan assets	3.75%	-	3.25%	-

For measurement purposes, a 7.0% per annum increase in the per capita cost of covered extended health care benefits was assumed for 2019, grading down by 0.25% per annum to 4.50% in 2029. The per annum increase in the per capita cost of medical service plan is 0% for 2019 and no coverage from 2020 onwards. The annual rate of increase in the per capita cost of dental benefits is 4.00%.

### Sensitivity Analysis:

Assumed discount rates and medical cost trend rates have a significant effect on the accrued benefit obligation. A one percentage point change in these assumptions would have the following effects on the accrued benefit obligation for 2019:

	1% decrease	1% increase
Pension benefit plans		
Discount rate	\$ 20,796	\$ (20,796)
Other post retirement benefit plans		
Discount rate	17,371	(17,371)
Initial medical cost trend rate	(12,789)	12,789

## 12. Loans and borrowings:

During the year ended December 31, 2019, the Corporation increased its \$30 million operating facility to \$40 million and extended the maturity date. The facility is primarily used for a letter of credit relating to pension funding and day to day operations. The facility matures on August 30, 2022 and is secured by a pledge of all of the assets of the Corporation. The operating facility bears interest at the 1 month BA rate plus a margin and no repayments will be required until maturity. There is an outstanding letter of credit of \$15.3 million drawn on this facility (see Note 15).

Under its credit facility, the Corporation is required to comply with certain financial covenants. At December 31, 2019, the Corporation was in compliance with these financial covenants.



# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

For more information about the Corporation's exposure to interest rate, foreign currency and liquidity risk, please see Note 17.

## 13. Financial instruments:

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Fair value measurement at reporting date using:			
	December 31, 2019	Quoted prices in active markets identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Financial assets:</b>				
Derivative instruments:				
Foreign exchange contracts	\$ 50	-	\$ 50	-

As at December 31, 2019, Westshore had entered into put options with notional amounts totaling US\$21.0 million to exchange U.S. dollars for Canadian dollars with a strike price of \$1.338. The counterparties have call options with notional amounts totaling US\$21.0 million to exchange U.S. dollars for Canadian dollars with a strike price of \$1.275.

As these foreign exchange contracts have not been designated as hedges, the fair value of these foreign exchange contracts at December 31, 2019, being an asset of \$50,000 (December 31, 2018 - a liability of \$1,018,000 recorded in other liabilities) (measured based on Level 2 of the fair value hierarchy), has been recorded in other assets and a gain of \$1,068,000 (year ended December 31, 2018 - loss of \$1,343,000) has been recognized in foreign exchange gain (loss) for the year ended December 31, 2019.

The carrying amounts of these contracts are equal to fair value, which is based on valuations obtained from the counterparties. The mark-to-market value is determined by the counterparty by multiplying the notional amount of the trade with the difference between the forward rate and the contract rate and discounting the resultant asset or liability by an applicable discount factor.

## 14. Operating leases:

The Corporation is committed under operating leases to the rental of property, facilities, and equipment.

The Corporation's terminal site is leased from the Vancouver Fraser Port Authority. The term of the lease is until December 31, 2026 with the Corporation having further options to extend the term to December 31, 2066. Charges payable by the Corporation under the lease comprise an annual base land and waterlot rental fee of \$5,207,000 (2018 - \$5,207,000) and an annual participation rental fee based on the volume of coal shipped. A minimum participation rental fee of \$6,494,000 (2018 - \$6,494,000) is charged based on a minimum annual tonnage (MAT) of 17.6 million tonnes. A higher participation rental fee per tonne is charged on tonnage in excess of the MAT. In 2019, the Corporation paid \$10,097,000 (2018 - \$9,959,000) in relation to the higher participation rental fee.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

Future undiscounted minimum payments under the Corporation's material lease obligations are as follows:

<i>(In thousands of Canadian dollars)</i>	December 31, 2019
Less than 1 year	\$ 11,701
Between 1 and 5 years	46,856
More than 5 years	500,158
	\$ 558,715

## 15. Commitments and Contingencies:

The Corporation has provided a letter of credit of \$15,269,000 (December 31, 2018: \$15,269,000) related to pension funding.

The Corporation has commitments of \$10,721,000 with respect to equipment purchases that are to be delivered and paid for in the next 12 months.

The Corporation also pays an annual participation rental fee based on the volume of coal shipped in excess of 17.6 million tonnes (Note 14).

## 16. Major Customers:

The Corporation had certain customers whose throughput individually represented 10% or more of the Corporation's total throughput.

For the year ended December 31, 2019, two customers accounted for 81% (2018 - 80%) and three customers accounted for 92% (2018 - 94%) of throughput.

## 17. Financial risk management:

The Corporation is exposed to various risks associated with its financial instruments, which include credit risk, liquidity risk and market risk. Further quantitative disclosures are included throughout these consolidated financial statements.

### (a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from accounts receivable and cash and cash equivalents. Credit risk can also arise on foreign currency contracts held by the Corporation.

The Corporation's exposure to credit risk is influenced by the profitability of coal mining companies, which is heavily impacted by the price of the coal. The Corporation does not have any collateral or security for its receivables. The Corporation monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2019 and 2018, there were no trade accounts receivable past due which were considered uncollectible and no reserve in respect of doubtful accounts was recorded.

The Corporation limits its exposure to credit risk arising from cash equivalents by only investing in money market funds with a major Canadian financial institution. The Corporation does not expect any credit losses in the event of non-performance by counter parties to its foreign exchange forward contracts as the counter parties are major Canadian financial institutions.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is:

	2019	2018
Cash and cash equivalents	\$ 131,858	\$ 50,048
Accounts receivable	20,252	15,430
	\$ 152,110	\$ 65,478

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due. The Corporation continually monitors its financial position to ensure that it has sufficient liquidity to discharge its obligations when due.

The current financial liabilities of the Corporation, which include accounts payable and accrued liabilities, income tax payable and dividends payable to shareholders, have a contractual maturity of less than 1 year.

The Corporation also maintains a \$40 million operating facility that is primarily used for pension funding. The Corporation has an outstanding letter of credit for \$15,269,000 against this facility.

(c) Market risk:

The significant market risk exposures affecting the financial instruments held by the Corporation are those related to foreign currency exchange rates and interest rates.

(i) Foreign currency exchange rates:

The Corporation holds cash denominated in foreign currencies and the Canadian-dollar value of these cash balances fluctuates with changes in the exchange rate. As at December 31, 2019, the Corporation held US\$9.8 million (2018 – US\$0.3 million). A \$0.01 increase in the US/Canadian exchange rate would have increased the Canadian dollar value of this cash balance and increased foreign exchange gains by \$98,000 for the year.

The accounts receivable due from U.S. customers are denominated in U.S. dollars. The U.S. dollar denominated accounts receivable outstanding as at December 31, 2019 was \$5,506,000 (2018 - \$3,690,000).

The Corporation is exposed to foreign currency exchange rate risk on its foreign currency contracts. The value of these financial instruments fluctuates with changes in the US/CAD dollar exchange rate. See Note 13 for more information.

(ii) Interest rates:

The Corporation has limited exposure to interest rate risk on the cash equivalents. Money market fund returns are correlated with Canadian T-bills and Bankers' Acceptances of major Canadian financial institutions.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2019 and 2018

The Corporation also has interest rate risk on the revolving credit facility. The revolving credit facility carries an interest rate that floats with market rates.

## 18. Capital management:

The capital of the Corporation consists solely of shareholders' equity which includes issued share capital and deficit.

The objective of the Corporation is to maintain a stable capital base and ensure that the capital structure does not interfere with the Corporation's ability to meet its distribution policy or fund future projects. The Corporation's quarterly dividend is subject to periodic review based on factors including funds applied to repurchase shares, other opportunities that may come before Westshore, other potential capital upgrade projects, operating performance and current market conditions.

## 19. Related party transactions:

	2019	2018
Administration agreement Westar Management Ltd.	\$ 546	\$ 530
Management agreement: Westar Management Ltd. - base fee	1,639	1,591
Management agreement: Westar Management Ltd. - Incentive fee	6,759	5,831
Insurance premiums: Affiliate of Westar Management Ltd.	992	904
Vehicle leases: Affiliate of Westar Management Ltd.	199	275
Director fees: Director fees	653	582



## Corporate Information

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### Westshore Terminals Investment Corporation

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#### *Directors*

**William W. Stinson**

*Corporate Director*

**M. Dallas H. Ross**

*Partner, Kinetic Capital Partners*

**H. Clark Hollands**

*Chartered Accountant and Corporate Director*

**Steve Akazawa**

*Corporate Director*

**Brian A. Canfield**

*Corporate Director*

**Nick Desmarais**

*Managing Director Legal Services, The Jim Pattison Group*

**Glen Clark**

*President, The Jim Pattison Group*

**Dianne Watts**

*Corporate Director*

#### *Stock Exchange Listing*

Toronto Stock Exchange

#### *Trading Symbol*

WTE

#### *Registrar and Transfer Agent*

Computershare Investor Services Inc.  
Vancouver and Toronto

#### *Auditors*

KPMG LLP  
Vancouver, British Columbia

#### *Principal Office*

1800 – 1067 West Cordova Street  
Vancouver, British Columbia V6C 1C7

Telephone: 604.688.6764

Facsimile: 604.687.2601

#### *Officers*

**William W. Stinson**

*Chairman, Chief Executive Officer & President*

**M. Dallas H. Ross**

*Chief Financial Officer*

**Nick Desmarais**

*Secretary & Vice President of Corporate Development*



## Corporate Information

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### **Westshore Terminals Ltd.**

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**William W. Stinson**

*Corporate Director*

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*Partner, Kinetic Capital Partners*

**H. Clark Hollands**

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**Steve Akazawa**

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**Glen Clark**

*President, The Jim Pattison Group*

**Dianne Watts**

*Corporate Director*