



**WESTSHORE TERMINALS
INVESTMENT CORPORATION**

ANNUAL REPORT

2010

Westshore Terminals Investment Corporation, through its wholly-owned subsidiary Westshore Terminals Holdings Ltd., owns all of the limited partnership units of Westshore Terminals Limited Partnership, a partnership established under the laws of British Columbia. Westshore Investment's common shares, and note receipts representing subordinated notes of Westshore Holdings, trade together as units. On a quarterly basis, holders receive interest payments on the Holdings notes and such dividends as are declared by Westshore Investment.

Westshore Investment and Westshore Holdings derive their cash inflows from their investment in the Partnership by way of distributions on its limited partnership units. The Partnership operates a coal storage and loading terminal at Roberts Bank, British Columbia, 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.

Table of Contents

Financial Highlights	1
Letter and Report to Unitholders	2
Management's Discussion and Analysis	3
Consolidated Financial Statements	23
Corporate Information	46



Financial Highlights

(In thousands of Canadian dollars except per unit amounts and tonnage)

	2010	2009
Tonnage (in thousands)	24,678	20,053
Revenue		
Coal	\$ 218,644	\$ 203,927
Other	\$ 4,892	\$ 3,851
	\$ 223,536	\$ 207,778
Earnings before depreciation, interest, foreign exchange and income taxes	\$ 103,940	\$ 122,077
Cash Distributions declared	\$ 131,974	\$ 92,070
Cash Distributions per unit	\$ 1.775	\$ 1.240
Units outstanding at December 31	74,250,016	74,250,016
Trading Statistics		
High	\$ 24.59	\$ 14.75
Low	\$ 13.55	\$ 7.02
Close	\$ 22.98	\$ 14.30
Volume	48,809,100	57,003,800



Westshore Terminals Investment Corporation

Directors' Letter and Report to Shareholders

Dear Shareholder:

The last two years have seen major changes at Westshore. We have gone from operating with capacity to spare to having more demand than we can handle. The completion of the three-year capital upgrade program at the cost of \$47 million enabled Westshore to handle record volumes of 24.7 million tonnes in 2010, compared to the previous record of 23.5 million tonnes. This was achieved even though the largest piece of the upgrade, the fourth stacker-reclaimer, only became fully operational part-way through 2010.

We have seen unprecedented demand from shippers (primarily from the U.S.) of thermal coal into international markets, while the metallurgical coal producers are poised to increase their sales substantially. We do not know how long the robust thermal coal market will last, but our customers are planning long term, and the fundamentals of the metallurgical coal market look strong. For 2011, we anticipate throughput levels to exceed 2010 levels, notwithstanding the two week equipment failure to Shiploader 1 in January, and low coal deliveries during January and February due to bad weather.

Another major change is the move away from contracts that give Westshore direct price participation in metallurgical coal sales by its principal customer, Teck Coal. We settled a new contract early in 2010 providing fixed rates for a fixed tonnage of coal from three of Teck's mines (the other three of Teck's mines already being under contract with Westshore). From April 1, 2011 all of Teck's tonnage through Westshore will be handled at fixed rates. We have also just concluded the early negotiation of a major contract with Teck for the four-year period commencing April 1, 2012 when the existing contracts expire. These arrangements with Teck make our revenue stream more predictable and, because of higher anticipated throughput, we expect revenues to remain healthy.

We continue to work at improving efficiency at the Terminal so as to increase our throughput capacity. The current strong coal markets have brought substantially increased growth opportunities to Westshore. They will require Westshore and the other parties along the coal chain to perform consistently and efficiently over the whole of each year to be able to achieve further growth.

At the Fund level, a thorough and involved process was conducted and completed to restructure the Fund to a corporate structure. This became effective January 1, 2011. During 2010, the final year as an income fund, distributions were strong as a result of the year's performance and the distribution of cash reserves. For 2011, under the new taxable corporate structure, dividends will not be supplemented from cash reserves and will be impacted by the payment of income taxes.

We look forward to all the growth opportunities and challenges the current strong coal markets will bring.

For the Board of Directors,

William W. Stinson

Chairman of the Board of Directors

Vancouver, B.C.

March 30, 2011



Westshore Terminals Investment Corporation

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

The following discussion and analysis should be read in conjunction with information contained in the Consolidated Financial Statements of Westshore Terminals Income Fund and the notes thereto for the year ended December 31, 2010. This discussion and analysis has been based upon consolidated financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). This discussion and analysis is the responsibility of management of Westshore Terminals Investment Corporation ("the Corporation"). Additional information and disclosure can be found on SEDAR at www.sedar.com. Unless otherwise indicated, the information presented in this Management's Discussion and Analysis ("MD&A") is stated as at March 30, 2011.

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 (each as defined below) 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, speak only as of the date of this MD&A, and are subject to inherent risks and uncertainties, including those outlined in the annual information form of the Corporation filed on 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 prices and strength of markets for metallurgical and thermal coal, expected throughput volumes, future throughput capacity, the proportion of throughput expected to be shipped at variable rates, the effect of Canadian/U.S. dollar exchange rate on loading rates, labour negotiations, customer contract renegotiations, cost of and timing to complete capital projects and the anticipated level of dividends.

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 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 (as defined below), fluctuations in exchange rates, and the Corporation's ability to renegotiate key customer contracts on favourable terms or at all. See also 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

General

Effective January 1, 2011, Westshore Terminals Income Fund (the “Fund”) converted (the “Conversion”) to a corporate structure pursuant to a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) (the “BCBCA”), and the Corporation and its wholly-owned subsidiary Westshore Terminals Holdings Ltd. (“Holdings”) are the successors to the Fund. Pursuant to the Conversion, units of the Fund (“Trust Units”) were effectively exchanged for common shares (“Common Shares”) of the Corporation and note receipts (“Note Receipts”) representing \$5.00 aggregate principal amount of 10.5% subordinated notes (“Holdings Notes”) issued by Holdings. The Common Shares and Note Receipts trade together as units (the “Units”) on the Toronto Stock Exchange (the “TSX”) under the symbol “WTE.UN”.

The Corporation and Holdings were each incorporated under the BCBCA on September 28, 2010 and did not carry on any active business prior to the Conversion. The registered and head offices of the Corporation and Holdings are located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7. Holdings 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 to Holdings on Westshore’s limited partnership units, and subsequent dividends paid on the common shares of Holdings owned by the Corporation, after the deduction of interest, taxes and operating expenses paid by Holdings. Westshore operates a coal storage and loading terminal at Roberts Bank, British Columbia (the “Terminal”). All of Westshore’s operating revenues are derived from rates charged for loading coal onto seagoing vessels.

Westshore’s results are determined largely by the volumes of coal shipped by different coal mines for sale in the export market, the rates per tonne charged by Westshore, the Canadian/U.S. dollar exchange rate and Westshore’s costs. In the period 2005 – 2009, a substantial portion of the throughput of the Teck Coal Partnership (“Teck”) was handled at loading rates that varied with the price of coal. Throughout that period, coal prices were at substantially higher levels than prior to 2005, and in the 2008/9 coal year reached extremely high levels. A smaller portion of Teck’s throughput was at variable loading rates in 2010, and for the 2011/12 coal year (commencing April 1, 2011) none of the contracts with Teck will provide for variable pricing.

Because of exposure to fluctuations in exchange rates (as a result of the pricing mechanisms under certain customer contracts), Westshore has historically put in place some currency hedging to offer partial protection to Westshore from material short-term swings in the Canadian/U.S. dollar exchange rate.

This MD&A has been prepared by the Corporation, a successor entity to the Fund, to accompany the financial results of the Fund for the financial year ended December 31, 2010.

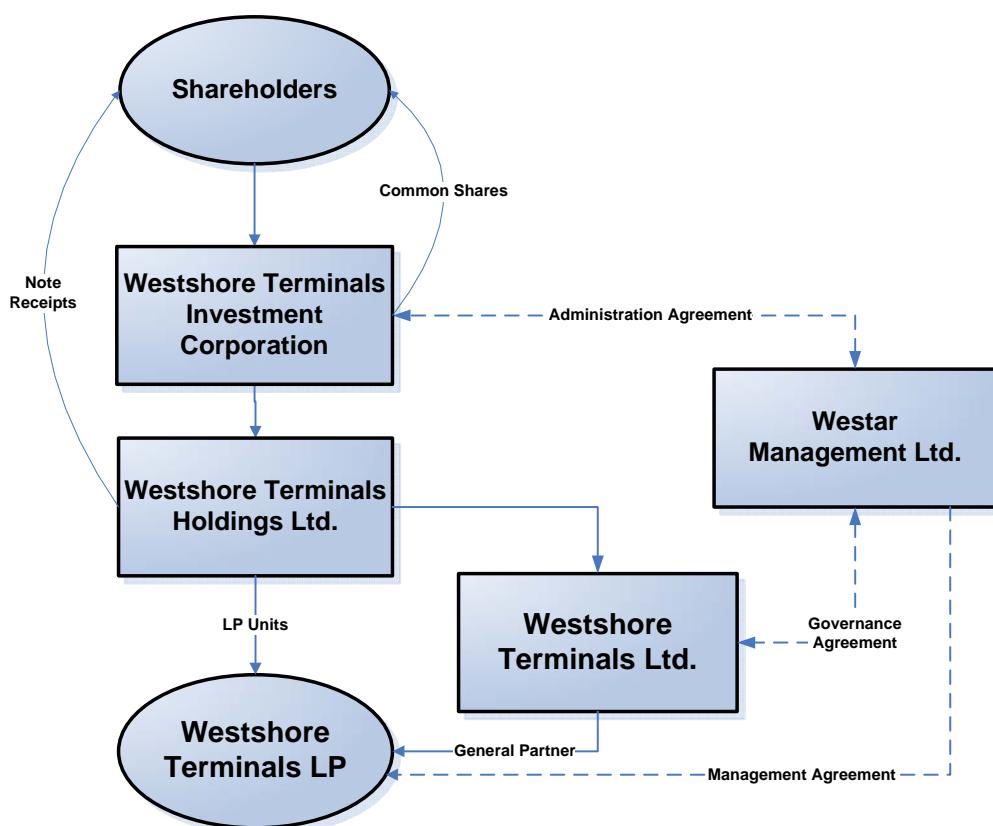


Westshore Terminals Investment Corporation

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

Structure

The following chart illustrates the Corporation's primary structural and contractual relationships. The Corporation indirectly holds all of the limited partnership units of Westshore through its wholly-owned subsidiary Holdings. Westshore Terminals Ltd. (the "General Partner") is the general partner of Westshore. Westar Management Ltd. (the "Manager") provides management services to Westshore and administrative services to the Corporation and Holdings, and appoints three of the seven directors of the General Partner. Details of these arrangements will be included in the Information Circular for the Corporation's 2011 annual general meeting.



This MD&A refers to certain measures other than those prescribed by GAAP. These measures do not have standardized meanings and may not be comparable to similar measures presented by other corporations. They are however determined by reference to the Fund's financial statements. These non-GAAP measures are discussed because the Corporation believes they provide investors with useful information in understanding the results of the Corporation's and Westshore's operations and financial position.



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 Fund's audited consolidated financial statements for the years ended December 31, 2010, 2009 and 2008, which were prepared in Canadian dollars using Canadian GAAP.

<i>(In thousands of Canadian dollars except per unit amounts)</i>	2010	2009	2008
Coal loading revenues	\$ 218,644	\$ 203,927	\$ 260,096
Other revenues	4,892	3,851	3,986
	223,536	207,778	264,082
Net Earnings	84,570	107,130	124,865
Net Earnings per Trust Unit ⁽¹⁾	1.139	1.443	1.682
Cash Distributions declared	131,794	92,070	133,650
Cash Distributions per Trust Unit	1.775	1.240	1.800
Distributions of Trust Units in lieu of cash ⁽²⁾	Nil	14,415	13,544
Distributions of Trust Units in lieu of cash per Trust Unit ⁽²⁾	Nil	0.194	0.182
Total Assets	579,186	608,763	614,893
Total Long Term Liabilities	32,531	30,798	29,800

(1) The weighted average Trust Units outstanding for 2010 were 74,250,016 (2009 - 74,250,016, 2008 - 74,250,016)

(2) In 2009 and 2008, the Fund allocated additional taxable income to holders of Trust Units ("Unitholders") by issuing additional Trust Units. These additional Trust Units were automatically consolidated so that the number of Trust Units held by each Unitholder did not change. For additional information concerning distribution and consolidation of Trust Units in lieu of cash distributions, see the Fund's annual information form dated March 29, 2010 available at www.sedar.com.

The following tables set out selected consolidated financial information for the Fund on a quarterly basis for the last two financial years.

<i>(In thousands of Canadian dollars except per unit amounts)</i>	Three Months Ended			
	Dec 31, 2010	Sept 30, 2010	Jun 30, 2010	Mar 31, 2010
Revenue				
Coal loading	54,064	60,346	52,094	52,140
Other	1,252	1,286	1,179	1,175
	55,316	61,632	53,273	53,315
Expenses				
Operating	27,132	24,706	21,266	20,993
Administration	8,097	7,088	6,564	3,750
	35,229	31,794	27,830	24,743
Earnings before the undernoted	20,087	29,838	25,443	28,572
Interest Income	171	119	80	62
Depreciation	(5,290)	(5,247)	(5,247)	(5,247)
Foreign exchange gain (loss)	293	1,475	(1,817)	206
Earnings before income taxes	15,261	26,185	18,459	23,593
Income tax expense (recovery)	(1,027)	(661)	286	330
Net earnings	16,288	26,846	18,173	23,263
Net earnings per Trust Unit⁽¹⁾	0.219	0.362	0.245	0.313
Cash Distributions declared	36,011	34,155	30,443	31,185
Cash Distributions per Trust Unit	0.485	0.460	0.410	0.420
Distribution of Trust Units in lieu of cash	nil	nil	nil	nil
Distribution of Trust Units in lieu of cash per Trust Unit	nil	nil	nil	nil



Westshore Terminals Investment Corporation

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

<i>(In thousands of Canadian dollars except per unit amounts)</i>	Three Months Ended			
	Dec 31, 2009	Sept 30, 2009	Jun 30, 2009	Mar 31, 2009
	\$	\$	\$	\$
Revenue				
Coal loading	46,445	46,460	57,375	53,647
Other	1,029	833	939	1,050
	47,474	47,293	58,314	54,697
Expenses				
Operating	22,172	19,323	16,593	17,624
Administration	4,513	1,862	1,290	2,324
	26,685	21,185	17,883	19,948
Earnings before the undernoted	20,789	26,108	40,431	34,749
Interest Income	71	74	73	155
Depreciation	(5,416)	(5,281)	(5,281)	(5,401)
Foreign exchange gain (loss)	564	(219)	8,704	(3,002)
Earnings before income taxes	16,008	20,682	43,927	26,501
Income tax expense (recovery)	(2,406)	446	1,121	827
Net earnings	18,414	20,236	42,806	25,674
Net earnings per Trust Unit⁽¹⁾	0.248	0.273	0.576	0.346
Cash Distributions declared	29,700	23,760	20,790	17,820
Cash Distributions per Trust Unit	0.400	0.320	0.280	0.240
Distribution of Trust Units in lieu of cash⁽²⁾	4,650	3,720	3,255	2,790
Distribution of Trust Units in lieu of cash per Trust Unit	0.062	0.050	0.044	0.038

(1) Weighted average Trust Units outstanding during 2010 and 2009 are 74,250,016.

(2) In 2009, the Fund allocated additional taxable income to Unitholders by issuing additional Trust Units. These additional Trust Units were automatically consolidated so that the number of Trust Units held by each Unitholder did not change.

Subsequent Events

The Conversion was approved by the Unitholders of the Fund at a special meeting held on November 5, 2010. The new parent company, the Corporation, through its wholly owned subsidiary Holdings, owns 100% of the limited partnership units of Westshore. Following the Conversion, there are 74,250,016 Common Shares and Note Receipts representing \$371,250,080 aggregate principal amount of Holdings Notes issued and outstanding, and trading together as Units on the TSX under the symbol "WTE.UN".

As a result of the Conversion, the Fund was wound up, and all of its assets and liabilities were transferred to Holdings. Further detailed information regarding the Conversion is contained in the Fund's management information circular dated October 5, 2010 for the special meeting of unitholders held on November 5, 2010, available on SEDAR.



Westshore Terminals Investment Corporation

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

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 on the west coast of the Americas. Westshore operates on a throughput basis and receives handling charges from its customers based on volumes of coal exported through the Terminal. Westshore does not take title to the coal it handles. Market conditions for coal affect the competitiveness of Westshore's customers and, together with changes in customers' mine output, affect the volume of coal handled by Westshore. Westshore handles coal from mines in British Columbia and Alberta, as well as from mines in the north-western United States. Coal shipped from the mines owned by Teck, which is Westshore's largest customer, accounted for 66% of Westshore's throughput by volume in 2010 (2009 – 73%).

Coal is delivered to the Terminal in unit trains operated by the Canadian Pacific, CN and BNSF Railways and by Union Pacific, and is then unloaded and either directly transferred onto a ship or stockpiled for future ship loading. Ultimately, the coal is loaded onto ships that are destined for approximately 20 countries world-wide, with the largest volumes presently being shipped to Asia.

Markets & Customers

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

Shipments by Destination <i>(Expressed in thousands of metric tonnes)</i>						
	2010		2009		2008	
	Tonnes	%	Tonnes	%	Tonnes	%
Asia	19,078	77	16,306	81	14,591	69
Europe	3,439	14	3,030	15	5,488	26
S. America	1,680	7	317	2	628	3
Other	481	2	400	2	372	2
Total	24,678	100	20,053	100	21,079	100

During 2010, 66% of Westshore's volume was metallurgical coal (74% in 2009), 33% was thermal coal (26% in 2009) and 1% was petroleum coke.

The significant growth from 2008 to 2010 in the throughput destined for Asia from 14.6 to 19.1 million tonnes was as a result of significant increases in shipments to China (primarily metallurgical coal) and to Korea (where the increase was principally in shipments of thermal coal), partially offset by a reduction in metallurgical coal shipments to Japan. The volume of thermal coal more than doubled between 2008 and 2010, due to the success of producers in the Powder River Basin in Montana and Wyoming in selling coal into the international market.

The market for seaborne thermal coal has been particularly robust since the latter part of 2009. Any weakening in this market could materially affect the ability of Westshore's thermal coal customers to sustain sales at the levels experienced in 2010.



Westshore Terminals Investment Corporation

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

Westshore's customers compete with other suppliers of coal throughout the world. With respect to metallurgical coal, Australian coal mines are the most significant competitors. The last few years have seen significant variations in the supply-demand balance in seaborne metallurgical coal. Following a period of oversupply and consolidation, constrained supply in 2004 led to sharply higher prices in the 2005/06 coal year. While prices declined somewhat in 2006 and 2007 as a result of a combination of factors, the price for metallurgical coal for the 2008/09 coal year increased significantly to U.S.\$300 per tonne. The seaborne metallurgical coal market was in tight supply at the end of 2007 because of growing demand and lower-than-expected growth in exports from Australian suppliers. Global supply was further reduced as a result of flooding in Australia that disrupted shipments by several metallurgical coal producers, and severe winter weather in China disrupted supply within that country. For the 2009/10 coal year published coal prices were significantly reduced because of the worldwide economic recession.

Prices for metallurgical coal are now being established on a quarterly basis and rose significantly throughout the latter part of 2010 by reason of improved worldwide economic activity. Recent severe flooding in Australia has disrupted coal production and shipments from that country, which contributed to higher prices. Recent events in Japan are likely to have an impact on the supply/demand balance and pricing, but the short and longer term consequences cannot be ascertained at present.

With its five mines in British Columbia and one in Alberta, Teck is Westshore's largest customer. It is the second largest supplier of seaborne hard coking coal in the world. Westshore has two contracts with Teck that run to the first quarter of 2012. The Port Services Agreement ("PSA"), was entered into in 2003 and covers the Fording River, Greenhills and Coal Mountain mines. It provides that, subject to minor exceptions relating to customer preferences, all the coal shipped from those three mines through West Coast ports must be shipped through Westshore. The loading rates for a portion of the tonnage from the Fording River and Greenhills mines in the 2010/11 coal year (ending March 31, 2011) were linked to the price in Canadian dollars realized by Teck for that coal. For the final year of the PSA commencing April 1, 2011, all rates are fixed. Under Westshore's other agreement with Teck, Teck has committed to ship through Westshore 3 million tonnes of coal from the Elkview, Cardinal River and Line Creek Mines in each of the two coal years covered by the contract at a fixed rate. Westshore expects that Teck will ship most of the remaining coal from those mines through Neptune Terminals with some being shipped through Ridley Terminals in Prince Rupert.

On March 4, 2011, the Corporation announced that Westshore reached an agreement with Teck to handle coal from Teck's mines for a four year term from April 1, 2012 to March 31, 2016. Under the new contract, Teck has committed to ship not less than 16 million tonnes per coal contract year increasing to 17 million tonnes and with the possibility to do more, all at fixed rates.

Westshore has a contract with Coal Valley Resources Ltd. (formerly Luscar Ltd.) which runs to 2017 and covers thermal coal from the Coal Valley mine and the Obed mine. During 2010, Coal Valley shipped 1.6 million tonnes of thermal coal through the Terminal compared to 2.5 million tonnes in 2009. Westshore also has a contract with Grande Cache Coal Corporation for handling coal produced from its operations in Alberta, which expires on March 31, 2013. Westshore loaded 1.3 million tonnes under this contract in 2010, compared to 1.2 million tonnes in 2009. The contracts with Coal Valley Resources Ltd. and Grande Cache Coal Corporation each have a pricing mechanism based on fixed rates (with escalation clauses), and the Grande Cache contract also contains an exclusivity provision.



Westshore Terminals Investment Corporation

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

Since late 2007, Westshore has experienced considerably greater interest from U.S. thermal coal producers in making shipments through Westshore, and has entered into a number of contracts with such producers. Contracts with these shippers run to December 2012, and generally provide for a variable rate based on the U.S. dollar price received for the product, subject to a floor which is generally in U.S. dollars. Shipments under those contracts accounted for approximately 23% of Westshore's throughput in 2010. The percentage of Westshore's overall shipments that were comprised of thermal coal increased from 26% in 2009 to 33% in 2010.

Labour

Labour agreements with all three locals of the International Longshore and Warehouse Union (the longshoremen, foreman and the clerical workers), which each had a four year term, expired January 31, 2011. The pattern for previous negotiations is that new collective agreements are not concluded for several months after expiry of the old agreements, but without any labour disruption during negotiations. Westshore expects that this pattern will be followed in 2011.

Facilities

Westshore has completed a three year program involving the upgrade of certain existing equipment and the addition of new equipment at the Terminal site, at a total cost of \$47 million. In 2005, Westshore conducted an assessment of the Terminal's throughput capacity. Part of the stimulus for the review was announcements by Canadian Pacific Railway of expenditures on its western corridor to reduce bottlenecks in order to increase capacity, and by Teck that its mines were making significant expenditures to increase output. Based on these announcements, Westshore concluded that it should expect to handle increased volumes of coal in future years. The assessment showed that the Terminal had a functional throughput capacity of somewhat less than 24 million tonnes per annum. In 1997, Westshore's record year prior to 2010, the Terminal handled 23.5 million tonnes, and the Terminal handled 23.3 million tonnes in 2001.

The Terminal has two incoming systems (the tandem and single rotary dumpers) and two outgoing systems (Berths 1 and 2), but had only three stacker/reclaimers to operate between the incoming and outgoing systems. The design of the terminal site contemplated the addition of a fourth stacker/reclaimer, which, together with associated conveyor systems, was the principal recent addition. In addition, all four stacker/reclaimers have been automated and other systems are being updated. As part of this equipment upgrade project, Westshore converted the second barrel of the tandem rotary dumper to accommodate shorter, "U.S. style" aluminum rail cars, the use of which has become the industry norm. The first barrel of the tandem dumper was converted for that purpose in 1998. These additions have increased the Terminal's capacity, as it handled a record 24.7 million tonnes in 2010 despite the fourth stacker/reclaimer becoming fully operational only part way through the year and the other completed improvements occurring late in the year. At normal manning levels and assuming no weather related outages, Westshore believes that it can consistently run at a throughput level of approximately 27 million tonnes, and with additional incremental improvements throughput can be increased towards 29 million tonnes.

These improvements have allowed Westshore to handle more tonnage but, even so, it is not able to keep up with all of the requests for service from its present customers and from others who would like to ship through the Terminal. On March 15, 2011 a further capital expansion was approved which will consist of replacing the existing single dumper with a double dumper and addition of related equipment. The project is anticipated to cost approximately \$43 million (to be financed by bank debt) and will take until the end of 2012 to complete. Once the project is complete, it is anticipated that the rated terminal throughput will be approximately 33 million tonnes. The project is subject to the receipt of certain required permit approvals.



Westshore Terminals Investment Corporation

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

Results of Operations

Westshore loaded 24.7 million tonnes of coal during 2010 as compared to 20.1 million tonnes during 2009. Coal loading revenue increased by 7.2% to \$218.6 million in 2010 compared with \$203.9 million in 2009. The increase was due to increased volume, offset by a lower average rate. In the fourth quarter of 2010, Westshore's loading revenue was \$54.1 million as compared to \$46.4 million in the fourth quarter of 2009, on shipments of 6.4 million tonnes in the fourth quarter of 2010, as compared to 5.2 million tonnes in the fourth quarter of 2009.

In 2010, the loading rate for 23% of the coal handled at Westshore was tied to the average price in Canadian dollars realized by Teck. The average Canadian dollar coal price reported by Teck in the fourth quarter of 2010 was \$204 per tonne, as compared to \$151 in the fourth quarter of 2009. For 2010 as a whole, the average coal price in Canadian dollars realized by Teck was 6.2% higher than that realized in calendar year 2009.

Other income, consisting mostly of wharfage income, increased by \$1 million (27%) from the previous year. Operating expenses increased by 24% from \$75.7 million in 2009 to \$94.1 million in 2010, primarily as a result of increased wages and outside services resulting from higher throughput and maintenance projects during the year, higher lease costs which vary with throughput, and higher detention and demurrage charges.

Administration costs increased from \$10.0 million in 2009 to \$25.5 million in 2010, primarily as a result of a larger incentive fee payable to the Manager, along with higher professional fees associated with the Fund's conversion to a corporate structure. The incentive fee is determined under the Management Agreement pursuant to a pre-set formula, which has changed effective January 1, 2011.

Interest income for the year remained consistent with the prior year as a lower average cash balance was offset by a slight increase in interest rates during 2010.

Foreign exchange gains (realized and unrealized) decreased from \$6.0 million in 2009 to \$0.2 million in 2010. Fewer forward contracts were executed in 2010 as variable-rate revenues that were impacted by the Canadian/U.S. dollar exchange rate were lower, and the exchange rate movement in 2010 was much less significant than in 2009 which resulted in smaller cash settlements on the forward contracts.

Earnings before depreciation, interest, foreign exchange and income taxes were lower in 2010, at \$103.9 million as compared to \$122.1 million in 2009. Earnings before depreciation, income, foreign exchange and income taxes for the fourth quarter of 2010 were \$20.1 million, compared to \$20.8 million for the fourth quarter of 2009.

Distributions

Distributions by the Fund over the last three years were as follows:

<i>(in thousands of Canadian dollars except unit amounts)</i>	2010	2009	2008
	\$	\$	\$
Cash Distributed from Operations	103,950	92,070	133,650
Cash Distributed from Reserves	27,844	-	-
Total Cash Distributed (per Trust Unit)	1.755	1.24	1.80
Trust Units Distributed in lieu of cash	-	14,415	13,544
Trust Units Distributed (per Trust Unit)	-	0.194	0.182



Westshore Terminals Investment Corporation

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

Distributions in 2010 were augmented by \$27.8 million of cash distributed from Westshore's cash reserves. Without such distributions, the cash distribution per trust unit in 2010 was \$1.40, as compared with a total distribution in 2009 (cash and trust units) of \$1.43 per trust unit. In 2011 and subsequently, the level of dividends will be determined by current operating results without any addition from cash reserves. Furthermore, because of the Conversion, cash available for future dividends will also be reduced by provisions for income taxes payable by Holdings.

Prior to the Conversion, quarterly distributions were paid to holders of Trust Units. In connection with the Conversion, the Directors of the Corporation adopted a dividend policy with the intent to pay dividends to holders of Common Shares on the same record and payment dates on which holders of Units will receive interest payments on the Holdings Notes. The Holdings Notes accrue interest at 10.5% per annum or \$0.13125 quarterly per Note Receipt, and the interest will be paid on the 15th of the month following the quarter-end. The Directors intend to set each quarterly dividend in the context of the Corporation's overall profitability, free cash flow and other business needs. The Corporation has declared a dividend of \$0.14 per Common Share to be paid on April 15, 2011 to shareholders of record at the close of business on March 31, 2011. In subsequent quarters, dividends will be declared based on actual results.

Holdings' dividend policy is to declare and pay dividends to the Corporation equal to the amount of distributions received from Westshore net of interest costs, taxes and other expenses. The Corporation's dividend policy is to declare and pay dividends to holders of Common Shares equal to the amount of the dividends received from Holdings, net of the Corporation's expenses. It is expected that Westshore's distribution policy will be to distribute to Holdings all of its earnings before depreciation and unrealized gains or losses on forward exchange contracts, less amounts equal to the expected cash requirements of Westshore, such as capital expenditures and special pension contributions.

Currency Fluctuations

In recent years a substantial portion of Westshore's revenues consisted of loading rates tied to the Canadian dollar price realized for coal by Westshore's customers, principally Teck. Coal sales by Westshore's customers are priced in U.S. dollars, with the result that the Canadian dollar price received fluctuates because of exchange rate movements. Westshore's contracts with U.S. customers have loading rates that are priced in U.S. dollars so the Canadian dollar revenue ultimately received will fluctuate depending on the exchange rate. To mitigate the resulting risk, Westshore has engaged in periodic hedging activities. Westshore's policy has been to hedge by April 30 of each year a portion of its anticipated U.S. dollar related revenues for that (April 1–March 31) coal year, based on the annual budget. Westshore will continue to review the need and opportunity for additional future hedging. The percentage of its throughput shipped at variable or U.S. dollar rates is expected to be significantly less in aggregate in 2011 than in prior years.



Westshore Terminals Investment Corporation

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

In the financial statements, the effect of currency fluctuations is shown as affecting coal loading revenues before taking into account the effect of hedging activities, the financial effect of which is accounted for as foreign exchange. As Westshore's hedging transactions do not qualify for "hedge accounting" treatment, the value of Westshore's forward exchange contracts must be "marked to market" at each period end.

<i>(in thousands of Canadian dollars)</i>	Year Ended Dec 31	
	2010	2009
	\$	\$
Realized foreign exchange gains (losses)	2,656	(9,060)
Unrealized foreign exchange gains (losses)	(2,499)	15,107
Net foreign exchange gains	157	6,047

During the year, Westshore realized total foreign exchange gains of \$2.7 million compared to losses of \$9.1 million in 2009. Net foreign exchange gains for the year ended December 31, 2010 included \$2.5 million in unrealized losses on forward exchange contracts, compared to \$15.1 million in unrealized gains for 2009. The unrealized foreign exchange losses for 2010 are lower than the prior year due to both a decline in the amount of forward exchange contracts outstanding compared to the prior year and a decrease in the year-over-year movement of the exchange rate (resulting in less exposure under the contracts). Unrealized foreign exchange gains and losses are non-cash items and do not impact the ability to pay dividends.

Realized foreign exchange gains or losses affect cash flow. The realized foreign exchange gains for 2010 arose on cash balances held in foreign currencies and settled forward exchange contracts. This is an improvement over the same period of the prior year when the settlement of forward exchange contracts resulted in significant losses. The realized foreign exchange gains in 2010 helped offset the effect of the lower current Canadian/U.S. dollar exchange rates on the coal loading revenue.

Outlook

The cash inflows of the Corporation and Holdings are entirely dependent on Westshore's operating results and are significantly influenced by the volume of coal shipped through the Terminal, the rates charged to customers for that coal, the Canadian/U.S. dollar exchange rate and Westshore's operating and administrative costs.

Because of a combination of possible variations in tonnage and rates, the Corporation cannot predict accurately the level of its dividends for 2011 or future years. The variance in revenues from 2010 will ultimately be impacted by numerous factors, including total volumes shipped through the Terminal, the distribution of throughput by mine, changes in contract rates, the average coal price settled by Teck for the first quarter of 2011, prices realized by U.S. shippers and foreign exchange rates. Based on the information currently available to it, Westshore is anticipating higher volume levels in 2011 as compared to 2010, at an average loading rate for 2011 as a whole that will be lower than the average for 2010 as a whole. Based on contracts in place and agreed to, Westshore expects that its loading rate for 2012 and the following years will be higher than in 2011. Unlike 2010, there is no expectation that distributions from operating results will be supplemented by distributions from Westshore's cash reserves in 2011 and subsequently. If Westshore's free cash flow for the calendar year exceeds \$42 million, incentive fees will be payable by Westshore to the Manager under the Management Agreement to a maximum of \$5 million.



Westshore Terminals Investment Corporation

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

Liquidity and Capital Resources

The Corporation expects to declare and pay dividends to holders of its Common Shares equal to amounts received from Holdings. It is not anticipated that the Corporation will require significant capital resources to maintain its indirect investment in Westshore on an ongoing basis or to meet its working capital requirements. Westshore's facility is a mature facility which does not require significant ongoing replacement of equipment. The costs of ongoing maintenance and refurbishment of the equipment and meeting 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 additions. As a result, the Corporation does not anticipate any liquidity concerns with the ongoing operations of Westshore.

Westshore has in place with a Canadian chartered bank a \$5 million operating facility that, if required, can be utilized to meet working capital requirements. This facility was not used during 2010 or 2009 and remained undrawn at December 31, 2010, although Westshore has an outstanding letter of credit for \$4.1 million. Westshore expects to finance its recently announced further expansion by way of term bank debt. Indicative terms will not require substantial principal repayments during the term and so will not give rise to any liquidity issues.

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 anticipates that its funding requirements in 2011 will be consistent with 2010 at approximately \$4 million. Westshore does not anticipate any problems in meeting these obligations.

Minimum obligations under operating leases for the years ending December 31 are as follows:

<i>(in thousands of Canadian dollars)</i>	Terminal lease	Other	Total
	\$	\$	\$
2011	11,701	228	11,929
2012	11,701	228	11,929
2013	11,701	-	11,701
2014	11,701	-	11,701
2015	11,701	-	11,701
Thereafter to 2026	128,919	-	128,919

Westshore has a commitment of \$2.9 million with respect to equipment purchases that are to be paid in 2011.

The only long-term debt, material capital lease obligations, or other long-term obligations of the Corporation and its subsidiaries are the Holdings Notes issued by Holdings (effective January 1, 2011) which are represented by Note Receipts that are traded with the Corporation's Common Shares. The Holdings Notes mature on December 31, 2040 and bear interest at 10.5% per annum with interest payable quarterly, although interest payments may be deferred for up to one year. Holdings will depend on distributions from Westshore to satisfy the interest obligations on the Holdings Notes. At the present time, Holdings does not anticipate any issues meeting its obligations on the Holdings Notes.

Transactions with Related Parties

In 2010, Westshore paid \$17.6 million (excluding HST) to the Manager for management services provided under the Management Agreement between Westshore and the Manager, comprised of the annual base management fee of \$750,000 (excluding HST), an amount unchanged since 1997, and an incentive fee of \$16.9 million (excluding HST). Commencing January 1, 2011, the incentive fee is based on a percentage of free cash flow above \$42 million, starting at 1.5% and rising to 6%, subject to an annual cap on the incentive fee of \$5 million.



Westshore Terminals Investment Corporation

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

The Governance Agreement between Holdings and the Manager governs the composition of the board of directors of the General Partner. Effective January 1, 2011, the board of directors consists of seven directors, three of whom are nominated by the Manager. All of the directors of the Corporation are also directors of the General Partner.

In 2010, the Fund paid \$250,000 (excluding HST) to the Manager for administration services provided under the Amended Administration Agreement dated September 29, 2005 between the Fund and the Manager.

Changes In Accounting Policies

The Fund's accounting policies are found in note 2 of the Fund's financial statements beginning on page 23. There were no changes in accounting policies during the year ended December 31, 2010, although the Corporation will be adopting IFRS in 2011 (see discussion under *International Financial Reporting Standards*).

Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with GAAP required the Fund 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 Fund's financial results.

Plant and equipment: Depreciation

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method over the estimated useful production life of the assets. The estimated useful lives of plant and equipment range from 3 to 35 years. A change in the estimated useful lives of plant and equipment could result in either a higher or lower depreciation charge to net earnings.

Asset Retirement Obligations

Westshore is required to recognize the fair value of an estimated asset retirement obligation when a legal obligation is present and a reasonable estimate of fair value can be made. 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 negligible and any liability related to an asset retirement obligation would not be material, although any change in the estimate of site restoration costs or the probability of incurring those costs could have a material impact on the asset retirement obligation.

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



Westshore Terminals Investment Corporation

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

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.

Future Income Taxes

Future 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 future income tax balances can be affected by a change in the estimate of when temporary differences reverse and the likelihood of realization of future tax assets.

Provisions for Estimated Liabilities

Westshore makes certain provisions, including its portion of ship demurrage and train detention costs, which are often not finally determined until well after the year-end.

Westshore's customers incur demurrage penalties if a ship being loaded with their coal is not loaded within a specified number of hours after it is ready to load at the Terminal. They also receive credits for early completion of loading, but only at half the hourly rate of the demurrage penalty. Westshore shares these penalties and credits in respect of certain mines, except in certain situations where the customer bears the entire penalty and receives the entire credit. One such situation is if the coal to be loaded on the vessel is not at the Terminal when the vessel arrives. In 2010, Westshore incurred demurrage costs of \$7.2 million as compared to \$1.9 million in the prior year. Under the contract covering the Elkview, Line Creek and Cardinal River mines which became effective April 1, 2010, Westshore does not share demurrage (nor rail detention, referred to below).

The railways that deliver coal to the Terminal also claim detention charges from Westshore's customers in respect of any delays beyond a specified number of hours that occur between the commencement of loading at the mine and the completion of unloading at the Terminal. The railways also grant credits in respect of trains that complete the process in less than the specified number of hours. With certain exceptions, Westshore also shares these charges and credits in respect of certain mines. The cost to Westshore for train detention was \$0.9 million in 2010, up from \$0.6 million in 2009.

While Westshore endeavours to ensure that provisions are reasonable in the circumstances, actual costs may be greater or less than the provisions made for those costs.



Westshore Terminals Investment Corporation

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

International Financial Reporting Standards (IFRS)

The use of IFRS for financial reporting in Canada is applicable for the fiscal year beginning January 1, 2011. The Fund was reorganized effective January 1, 2011 into two corporations and the transition from Canadian GAAP to IFRS will be applicable for these corporations for the first quarter of 2011. The Corporation's IFRS transition plan consists of three main phases – Scoping, Analysis and Implementation. The Scoping phase involved a high-level analysis of the significant accounting differences between IFRS and Canadian GAAP and determining the potential impact of the new accounting standards on business areas such as information technology, internal controls and disclosure controls. The Analysis phase involved a more comprehensive analysis of the accounting standards, including the development of accounting policies and the quantification of the conversion impact. The Implementation phase executes the changes identified in the Analysis phase.

The Corporation has completed the Scoping and Analysis phases. The Implementation phase is proceeding as planned. The Corporation has made a determination of which IFRS 1 elections will be utilized and which accounting policies will be adopted under IFRS. The financial impact on the opening balance sheet under IFRS on January 1, 2011 has been estimated and is being reviewed by the external auditors. The 2010 financial statements of the Fund are also being accounted for concurrently under IFRS but this is still a work-in-progress while the Corporation finalizes the opening IFRS balance sheet. A more in-depth discussion of the expected accounting changes follows after the transition plan summary.

The following table highlights some of the key activities in the transition plan and expected completion dates.

Key Activity	Milestones	Status
<i>Financial statement preparation</i>		
<ul style="list-style-type: none">▪ Identification of significant accounting differences▪ Selection of accounting policy choices▪ Selection of choices available under IFRS 1 (first-time adoption)▪ Financial statement format▪ Changes in disclosure	<ul style="list-style-type: none">▪ Identification of major differences and accounting policy choices made by the end of 2009▪ Quantification complete by end of 2010▪ Disclosure choices made and development of notes by May 2011	<ul style="list-style-type: none">▪ Identification of major accounting differences completed▪ Completed initial determination of accounting changes as of January 1, 2010 and utilization of IFRS 1 elections▪ Accounting policy choices made▪ IFRS accounting done simultaneously with Canadian GAAP accounting▪ Disclosure options being analyzed and final choices will be made during Q1 2011▪ Preparing rough drafts of IFRS-compliant financial statements▪ External auditors reviewing IFRS transition balance sheet



Westshore Terminals Investment Corporation

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

Key Activity	Milestones	Status
Infrastructure		
▪ Development of knowledge and resources	▪ Major knowledge training completed by end of 2009; new developments monitored throughout 2010	▪ Formal course training completed and more courses being attended throughout 2010
▪ IT impact assessment and conversion	▪ IT systems ready to process information in parallel in 2010	▪ Regular updates provided to the audit committee
		▪ IASB work plan being monitored on ongoing basis
		▪ IT system accounting for the Fund's activities under both Canadian GAAP and IFRS for 2010
Control Environment		
▪ Assessment of impact on ICFR and DC&P	▪ Processes and documentation to be complete by end of 2010	▪ Processes and policies amended to accommodate accounting policy choices
▪ Changes in processes to accommodate IFRS		▪ Processes being amended to capture information required by new note disclosure
▪ Documentation requirements		
Business Policy		
▪ Assessment of impact on financial covenants	▪ Assessment to be complete by mid-2010	▪ Initial impact assessment has been completed with respect to draft transition balance sheet
▪ Assessment of impact on capital adequacy		▪ Impact assessment monitored throughout 2010

Financial Statement Impact – IFRS 1

The Corporation expects to use the IFRS 1 elections available for business combinations, leases, employee benefits, decommissioning liabilities and borrowing costs.

The borrowing costs election allows the Corporation to capitalize interest costs for constructed assets on a prospective basis. This will not have any immediate impact on the financial statements but could have a material effect if Westshore undertakes any significant capital projects using borrowed funds.

The remaining elections allow the Corporation to avoid retrospective application for certain accounting standards and should not result in any material changes.



Westshore Terminals Investment Corporation

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

IFRS – Accounting Policies and Choices

Employee Benefits

Under IAS 19 Employee Benefits, there are options for the recognition of actuarial gains and losses for defined benefit post-retirement plans (which includes pension and non-pension benefits). The Corporation intends to recognize these actuarial gains and losses immediately as they occur with changes being recorded through other comprehensive income. This is a departure from the Fund's historical accounting practice of amortizing actuarial gains and losses over the average remaining service life of the employees. This accounting policy choice is consistent with the recent exposure draft on IAS 19 which proposes to eliminate the corridor approach for amortizing actuarial gains and losses over a period of time.

IAS 19 requires past service costs for defined benefit plans to be amortized through net income over the vesting period. Under Canadian GAAP, these costs are amortized through net income over the average remaining service life of the employees which is a longer period of time. As a consequence of adopting IFRS, all of the unamortized net actuarial losses and past service costs as disclosed in note 9 of the December 31, 2010 audited financial statements will be recognized on the balance sheet through a retained earnings adjustment. On the opening balance sheet upon transition, the post-retirement benefit asset of \$23.4 million will be eliminated and the post-retirement benefit liability will increase by another \$9.7 million. This change would be accompanied by an estimated decrease in the future income tax liability of \$7.9 million. Due to Westshore's existing minimum funding requirements, an additional liability will also need to be recognized under IFRIC-14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This liability recognizes that future pension contributions will give rise to an asset that cannot be offset by future service costs and this is similar to the "onerous contract" concept under IFRS. This additional liability will be approximately \$11.7 million at the transition date.

The immediate recognition of these costs on the balance sheet will reduce the post-retirement benefit expense that is being recognized in net profit under IFRS. Under Canadian GAAP, the post-retirement benefit expense includes an additional amount for the amortization of actuarial losses and past service costs. The estimated impact on net income before tax under IFRS is an increase of \$1.5 million and \$3.9 million for the three and twelve months ended December 31, 2010 respectively.

Under IFRS, actuarial gains and losses do not need to be recognized in interim financial statements unless there are significant changes from the estimates used in the most recent set of actuarial calculations. As of December 31, 2010, long-term corporate bond rates, which are used to discount the post-retirement liabilities, had declined approximately 75 basis points since the beginning of the year. This is a material change and will result in quarterly adjustments to other comprehensive income. The impact of these changes is still being determined with the assistance of the Corporation's actuary.

Depreciation

IAS 16 *Property, Plant & Equipment* requires depreciation to start once an asset is available for use. The Fund's historical accounting policy resulted in depreciation commencing at a later date. This change is not expected to have a material impact on the opening balance sheet. The estimated change to net income before tax under IFRS is a decrease of \$0.3 million and \$0.9 million for the three and twelve months ended December 31, 2010 respectively.



Westshore Terminals Investment Corporation

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

Presentation of Trust Units

Under IFRS, the trust units will be presented as a liability due to the Fund's requirement to distribute taxable income to the unitholders. The liability will be measured at the original issue price of the units of \$744.2 million. Under IFRS, debt issue costs would be netted against the liability and amortized until the maturity date. Since the Fund units had no maturity date for IFRS purposes, the Fund has expensed the issue costs immediately which results in a \$40.2 million decrease to retained earnings. The quarterly distributions on the Fund units will be presented as a financing expense rather than an equity distribution.

The presentation of Fund units is only relevant for the 2010 calendar year as the Fund has converted in a corporate structure effective January 1, 2011. The Corporation's financial statements will reflect the long-term debt of Holdings and the common shares of the Corporation.

Other Items

The Corporation does not expect any significant changes from the adoption of the following IFRS except as noted:

- IAS 12 *Income Taxes* – any future income taxes attributable to actuarial gains and losses on employee future benefits will be recorded through other comprehensive income
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – provisions must be disclosed separately but this is not expected to have a material impact on net income.

The accounting standards under IFRS continue to evolve and future changes could result in the identification of new financial statement impacts not previously noted or could require a revision to the financial statement impacts previously disclosed. The Corporation has engaged its external auditors to audit the IFRS transition balance sheet which may also result in changes from what has been previously disclosed.

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 Canadian GAAP.

The Chief Executive Officer and Chief Financial Officer of the Corporation have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Fund's internal controls over financial reporting as of December 31, 2010. 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 Fund's internal controls over financial reporting during the year ended December 31, 2010 that have materially affected the Fund'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 Fund's disclosure and 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

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 Fund as of December 31, 2010 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 Fund, the Corporation, Holdings and Westshore, including the Corporation’s annual information form, is available at www.sedar.com.



Westshore Terminals Investment Corporation

Financial Reporting

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 accounting principles generally accepted in Canada 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.

The consolidated financial statements have been audited on behalf of the Unitholders by KPMG LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

William W. Stinson
Director

M. Dallas H. Ross
Director



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Westshore Terminals Income Fund

We have audited the accompanying consolidated financial statements of Westshore Terminals Income Fund, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of earnings, comprehensive earnings and cumulative earnings and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Westshore Terminals Income Fund as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

March 15, 2011
Vancouver, Canada

WESTSHORE TERMINALS INCOME FUND

Consolidated Balance Sheets
(Expressed in thousands of Canadian dollars)

December 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,900	\$ 81,486
Accounts receivable (note 11)	22,654	19,512
Inventories	6,918	6,284
Prepaid expenses	654	684
Other assets (note 12(c))	18	2,517
	93,144	110,483
Plant and equipment (note 3)	97,081	108,571
Employee future benefits (note 9)	23,420	24,168
Goodwill	365,541	365,541
	\$ 579,186	\$ 608,763
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,951	\$ 16,348
Distribution payable to unitholders (note 5)	36,011	29,700
	61,962	46,048
Employee future benefits (note 9)	24,923	22,118
Future income taxes (note 6)	7,608	8,680
Unitholders' equity:		
Capital contributions (note 4)	704,032	704,032
Cumulative earnings	810,950	726,380
Cumulative distributions declared (note 5)	(1,030,289)	(898,495)
	484,693	531,917
Commitments (note 10)		
Subsequent events (notes 7 and 14)		
	\$ 579,186	\$ 608,763

See accompanying notes to consolidated financial statements.

Approved on behalf of the Trustees

“William W. Stinson” Trustee “M. Dallas H. Ross” Trustee

WESTSHORE TERMINALS INCOME FUND

Consolidated Statements of Earnings, Comprehensive Earnings and Cumulative Earnings
(Expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2010 and 2009

	2010	2009
Revenue:		
Coal loading	\$ 218,644	\$ 203,927
Other	4,892	3,851
	<u>223,536</u>	<u>207,778</u>
Expenses:		
Operating	94,097	75,712
Administrative (note 8)	25,499	9,989
	<u>119,596</u>	<u>85,701</u>
Earnings before the undernoted	103,940	122,077
Depreciation	(21,031)	(21,379)
Interest income	432	373
Foreign exchange gain	<u>157</u>	<u>6,047</u>
Earnings before income taxes	83,498	107,118
Future income tax recovery (note 6)	1,072	12
Net earnings and comprehensive earnings for the year	84,570	107,130
Cumulative earnings, beginning of year	726,380	619,250
Cumulative earnings, end of year	<u>\$ 810,950</u>	<u>\$ 726,380</u>
Basic and diluted earnings per trust unit	\$ 1.139	\$ 1.443
Weighted average number of trust units outstanding	74,250,016	74,250,016

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INCOME FUND

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows provided by (used in) operating activities:		
Net earnings for the year	\$ 84,570	\$ 107,130
Items not affecting cash:		
Foreign exchange contracts (note 12)	2,499	(15,107)
Depreciation	21,031	21,379
Future income tax recovery (note 6)	(1,072)	(12)
Employee future benefits asset/liability	3,553	145
Gain on sale of fixed assets	(19)	-
	110,562	113,535
Changes in non-cash working capital:		
Accounts receivable	(3,142)	9,801
Inventories	(634)	194
Prepaid expenses	30	(12)
Accounts payable and accrued liabilities	9,603	55
	116,419	123,573
Cash flows used in financing activities:		
Distributions paid to unitholders	(125,483)	(101,723)
Cash flows used in investing activities:		
Additions to plant and equipment, net	(9,522)	(15,398)
Increase (decrease) in cash and cash equivalents	(18,586)	6,452
Cash and cash equivalents, beginning of year	81,486	75,034
Cash and cash equivalents, end of year	\$ 62,900	\$ 81,486
Supplemental cash flow information:		
Cash received for interest	\$ 432	\$ 373

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

1. Organization and basis of presentation:

Westshore Terminals Income Fund (the Fund) is an open-ended trust that was established on December 2, 1996 under the laws of British Columbia. The Fund owns all of the limited partnership units of Westshore Terminals Limited Partnership (the Partnership), a partnership established under the laws of British Columbia.

The Fund does not conduct any active business of its own, its activities being restricted to the ownership of securities of other entities. The Fund, directly or indirectly, derives its cash inflows from its investment in the Partnership by way of distributions on the Partnership's limited partnership units and distributes to its unitholders (Unitholders) on quarterly basis available cash received from the Partnership less the Fund's expenses. The Fund was reorganized into two public companies effective January 1, 2011 (see note 14).

The Partnership operates a coal storage and loading terminal at Roberts Bank, British Columbia (the Business) Westshore Terminals Ltd. (the General Partner), a wholly owned subsidiary of the Fund, is the general partner of the Partnership. Westar Management Ltd. (Westar Management) is an entity related to the Fund and provides certain management and administrative services to the General Partner and the Fund.

These consolidated financial statements include the accounts of the Fund and its subsidiaries, including its variable interest entity, the Partnership. All significant inter-entity transactions and balances have been eliminated on consolidation of the Fund.

2. Significant accounting policies:

(a) Accounting principles:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

(b) Variable interest entities:

Under Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15), it was determined that the Fund's investment in the Partnership meets the criteria for being a Variable Interest Entity (VIE) and that the Fund is the primary beneficiary of this entity. A primary beneficiary is an enterprise that will absorb a majority of the VIE'S expected losses, receive a majority of its expected residual return, or both. As a result, the Fund consolidates the Partnership.

(c) Financial instruments:

The Fund's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions payable to unitholders. The carrying amounts of these financial instruments recorded on the consolidated balance sheets are reasonable estimates of their fair values due to the relatively short periods to maturity and the commercial terms of these instruments.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

Cash and cash equivalents are classified as held-for-trading and are recorded at fair value on the consolidated balance sheets. Accounts receivable are classified as loans and receivables and are recorded at amortized cost. Accounts payable and accrued liabilities and distributions payable to unitholders are classified as other financial liabilities and are recorded at amortized cost.

The Fund's financial instruments also include foreign exchange contracts, which are derivative instruments that are classified as held-for-trading and are recorded at fair value. Fair value is determined 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. The asset or liability is recorded in either other assets or other liabilities, respectively. The changes in fair value are recorded in foreign exchange gain (loss) in the statement of earnings.

(d) Embedded derivatives:

Certain contractual terms are considered to behave in a similar fashion to a derivative contract and parties to the contracts are therefore required to separate the accounting for these embedded derivatives from the accounting for the host contract. Once separated, these embedded derivatives are subject to the general derivative accounting guidelines outlined in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855. For the Fund, these embedded derivatives typically arise from purchase agreements for capital expenditures with contractual terms denominated in foreign currency. There are exemptions for contracts that are written in a currency that is not the functional currency of one of the substantial parties to the contract but which is a currency in common usage in the economic environment of one of the contracting parties. The Fund has elected to use this exemption available in accounting for certain purchase agreements.

(e) Asset retirement obligations:

An asset retirement obligation is a legal obligation associated with the retirement of an owned or leased, tangible, long-lived asset. The Fund recognizes the fair value of an estimated asset retirement obligation when a legal obligation is present and a reasonable estimate of fair value can be made.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(e) Asset retirement obligations (continued):

The Partnership's terminal site is leased from the Vancouver Fraser Port Authority (the VFPA). A new lease agreement was signed on November 2, 2006, and became effective as of January 1, 2007. The current lease runs until December 31, 2026, and may be extended at the Partnership's option for a further 20 years. At the expiry of the lease in 2046, assuming the Partnership 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 Partnership to return the site to its original condition. The Partnership believes that the probability that the VFPA will elect to enforce site restoration is negligible and any liability related to an asset retirement obligation would not be material at either December 31, 2010 or 2009.

(f) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at their purchase date of three months or less.

(g) Inventories:

Inventories of spare parts and supplies are valued at the lower of cost less a provision for obsolescence 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.

(h) Plant and equipment:

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

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

Plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount for the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount that the carrying amount of the asset exceeds its fair value.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(i) 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. Any excess of the carrying value over fair value is charged to earnings in the period in which the impairment is determined.

(j) Revenue recognition:

Coal loading revenue is recognized when a customer's coal is loaded onto a ship and ready for export from the terminal site. Coal loading revenue is recorded based on contract specific loading rates. Other revenue consists primarily of wharfage fees which are recorded based upon the period of time a ship is at the port.

(k) Income taxes:

The income of the Partnership has been taxed directly in the hands of the Fund and the General Partner. The Fund and the Partnership have operated so that substantially all net income of the Business has been allocated to and taxed in the hands of, the unitholders.

Commencing January 1, 2011, the Fund has been reorganized into two corporate entities (note 14) and will incur income taxes. As such future 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. These balances are calculated using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. The value of future income tax assets is limited to the amount that is more likely than not to be realized.

(l) Employee future benefits:

The Partnership accrues its obligations under employee benefit plans, net of plan assets, and applies the following policies:

- The measurement date used for accounting purposes is December 31, 2010 and 2009.
- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected accrued benefit method pro-rated on length of service and is based on best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected future health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendments.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(l) Employee future benefits (continued):

- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees.
- The discount rate used to value liabilities is based on AA Corporate bond yields.
- The expected weighted average remaining service life of employees covered by the defined benefit pension plan is ten years (2009 - ten years).

(m) Foreign exchange:

The functional and reporting currency of the Fund 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 balance sheet date to reflect exchange rates prevailing at that date.

(n) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, useful lives of plant and equipment, asset retirement obligations, train detention and ship demurrage costs and accruals at period end, determination of actuarial assumptions and future income tax amounts. Actual results could differ from those estimates.

(o) Future accounting standards:

(i) International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian GAAP will be converged with International Financial Reporting Standards (IFRS) for fiscal years commencing January 1, 2011. The Fund was reorganized effective January 1, 2011 into two corporations and the transition from Canadian GAAP to IFRS will be applicable for these corporations for the first quarter of 2011.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. The Fund has identified a number of key areas which are likely to be impacted by changes in accounting policy and disclosures, including the accounting for employee future benefits, the presentation and measurement of trust units and applicable future income tax adjustments. Management is in the process of assessing the impact of the application of IFRS on the consolidated financial statements.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

3. Plant and equipment:

2010	Cost	Accumulated depreciation	Net book value
Buildings and land improvements	\$ 34,158	\$ 29,062	\$ 5,096
Machinery and equipment	488,839	396,854	91,985
	\$ 522,997	\$ 425,916	\$ 97,081

2009	Cost	Accumulated depreciation	Net book value
Buildings and land improvements	\$ 34,041	\$ 28,165	\$ 5,876
Machinery and equipment	479,547	376,852	102,695
	\$ 513,588	\$ 405,017	\$ 108,571

4. Trust units:

The Declaration of Trust provides that an unlimited number of trust units may be issued. Each unit represents an equal and undivided beneficial interest in any distribution from the Fund and in the net assets in the event of termination or windup. All units are of the same class with equal rights and privileges. Units may be issued for consideration payable in instalments, with such units being held as security for unpaid instalments.

Trust units are redeemable at the holders' option at amounts related to market prices at the time, subject to a maximum of \$250,000 in cash redemptions by the Fund in any particular month. This limitation can be waived at the discretion of the Trustees. Redemptions in excess of \$250,000, assuming no waiving of the limitation, shall be paid by way of a distribution of a pro-rata number of Trust notes.

Westshore Terminals Holdings Trust (the Trust) has been established as an unincorporated open-ended limited purpose trust under the laws of British Columbia with the Fund as the sole holder of trust units of the Trust. The Fund, the Trust and the Partnership have entered into an exchange agreement (the Exchange Agreement) under which the Fund will have the right to transfer Partnership units to the Trust in consideration for the issuance by the Trust of Trust notes.

Capital contributions are as follows:

	Number of units	Capital contributions
December 31, 2010 and 2009	74,250,016	\$ 704,032

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

5. Distributions to unitholders:

Cumulative distributions declared to unitholders:

Cumulative distributions to December 31, 2008	\$ 806,425
Distributions declared in 2009	92,070

Cumulative distributions to December 31, 2009	898,495
Distributions declared in 2010	131,794

Cumulative distributions to December 31, 2010	\$ 1,030,289
---	--------------

Distributions to unitholders are made quarterly.

During the year ended December 31, 2010, the Fund declared cash distributions to unitholders of \$131,794,000 (2009 - \$92,070,000) or \$1.775 per unit (2009 - \$1.24 per unit). The amounts and record dates of the cash distributions declared were as follows:

	2010		2009	
	Total	Per unit	Total	Per unit
March 31	\$ 31,185	\$ 0.420	\$ 17,820	\$ 0.240
June 30	30,443	0.410	20,790	0.280
September 30	34,155	0.460	23,760	0.320
December 31	36,011	0.485	29,700	0.400
	\$ 131,794	\$ 1.775	\$ 92,070	\$ 1.240

The distribution of \$36,011,000 (\$0.0485 per unit) payable to unitholders of record on December 31, 2010 was paid on or before January 15, 2011.

Additional non-cash unit distributions totaling nil (2009 - \$0.1941) per unit were made to allocate the income of the Fund that exceeded the cash distributions declared during the year. As provided by the Fund's Declaration of Trust, the units were immediately consolidated so that each unitholder continued to hold the same number of units that existed before the distribution.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

5. Distributions to unitholders (continued):

The distributions declared in 2010 and 2009 have been allocated as follows for income tax purposes:

	2010		2009	
	Total	Per unit	Total	Per unit
Cash distributions:				
Income	\$ 103,950	\$ 1.400	\$ 92,070	\$ 1.240
Return of capital	27,844	0.375	-	-
Total cash distributions	131,794	1.775	92,070	1.240
Non-cash distributions	-	-	14,415	0.194
Total distributions	\$ 131,794	\$ 1.775	\$ 106,485	\$ 1.434

6. Income taxes:

	2010	2009
Represented by:		
Current income tax provision	\$ -	\$ -
Future income tax recovery	1,072	12
	\$ 1,072	\$ 12

At December 31, 2010, the tax bases of the Fund's consolidated assets and liabilities are less than, on a net basis, the carrying amounts by \$30,453,370 (2009 - \$52,721,424).

A reconciliation of income taxes at the statutory tax rate of 28.5% (2009 - 30%) to actual income taxes is as follows:

	2010	2009
Income tax expense at statutory Canadian rate	\$ 23,797	\$ 32,135
Tax effect of deduction for net income of the Fund distributed to Unitholders	(23,706)	(32,135)
Tax effect of change in temporary difference expected to reverse after 2010 and other	(1,104)	320
Change in future income tax rate	(59)	(332)
Income tax recovery	\$ (1,072)	\$ (12)

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

6. Income taxes (continued):

The temporary differences are as follows:

	2010	2009
Future income tax liability:		
Plant and equipment	\$ 9,263	\$ 12,535
Pension assets	5,855	6,081
Other liabilities (assets)	(1,279)	215
Non-pension post-retirement liability	(6,231)	(5,566)
	7,608	13,265
Expected reversal of temporary differences prior to January 2011	-	(4,585)
Total	\$ 7,608	\$ 8,680

Based on a current estimate of the future income tax liability at the beginning of 2011, the Fund has recorded a future income tax liability and corresponding non-cash future tax expense. The future income tax liability is based on temporary differences between the accounting and tax basis of the assets and liabilities estimated to exist at January 1, 2011 and to reverse thereafter.

7. Bank operating facility:

The Partnership has a \$5,000,000 (2009 - \$1,000,000) operating facility. No amounts were outstanding on this facility as at December 31, 2010 and 2009. The Partnership has various interest options under the operating facility that are based on the lender's prime lending rate. The lender charges a standby fee of 0.40% per annum on the undrawn portion of the facility (2009 - 0.25%). The term of the credit facility was extended to February 9, 2012 subsequent to December 31, 2010.

The Partnership has a \$4,080,000 letter or credit issued against this operating line.

8. Related party transactions:

(a) Administration agreement:

The Fund has an administration agreement with Westar Management Ltd. (Westar Management). Under the terms of the agreement, Westar Management is responsible for administering and managing the Fund. Westar Management earns a fee of \$250,000 per annum plus reimbursement of certain out-of-pocket costs for providing these services, and if the costs of administering the Fund exceed \$400,000 in any year, Westar Management will also be reimbursed for such excess costs. The agreement can be terminated by the Fund on 180 days' notice, or immediately under certain circumstances. Effective January 1, 2011, the obligations of the Fund under the administration agreement have been assumed by Westshore Terminals Investment Corporation and Westshore Terminals Holdings Ltd.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

8. Related party transactions (continued):

(a) Administration agreement (continued):

Weststar Management earned a fee of \$250,000 for the year ended December 31, 2010 (2009 - \$250,000) under the administration agreement. These fees are included in administrative expense on the consolidated statements of earnings, comprehensive earnings and cumulative earnings. The fee will remain the same for 2011 and will increase to \$325,000 in 2012 with inflationary increases thereafter.

(b) Management agreement:

The Partnership has a management agreement with Weststar Management. Under the terms of the agreement, Weststar Management is responsible for providing executive management and other services to the Partnership. In 2009, the first renewal option of the agreement was confirmed, extending the term to January 31, 2017. The initial term of the agreement was 15 years up to January 30, 2012, with automatic renewals for successive five-year terms unless the Partnership gives notice of non-renewal at least 12 months before the end of the relevant term. The management agreement may be terminated by the Partnership in certain circumstances, and Weststar Management can terminate the agreement on 12 months' notice.

Weststar Management earns a fee of \$750,000 per annum plus reimbursement of reasonable out-of-pocket expenses for providing these services. In addition, as an incentive to Weststar Management to enhance the cash flows of the Partnership, Weststar Management is entitled to earn incentive fees that will be payable annually when the per-unit cash distributions to unitholders exceed certain defined levels.

Certain amendments were made to the Management Agreement in conjunction with the renewal, including: no termination by Weststar Management until after June 30, 2013; the base fees will remain at current levels until January 1, 2012 and then be adjusted to reflect an inflation increase since 1997 and to provide for similar escalations in the future; and a change in the basis for the computation of the incentive fees (including setting a cap of \$5,000,000), commencing January 1, 2011.

Weststar Management earned a base management fee of \$750,000 and an incentive fee of \$16,891,000 for the year ended December 31, 2010 (2009 - \$750,000 and \$3,131,000, respectively) under the management agreement. These fees are included in administrative expense on the consolidated statements of earnings, comprehensive earnings and cumulative earnings.

Pursuant to the amendment to the Management Agreement described above, the Governance Agreement between the Fund and Weststar Management has also been amended, so that the board of the General Partner will consist of seven directors, three of which will be nominated by Weststar Management commencing January 1, 2011.

Weststar Management is related to an entity that is a significant unitholder of the Fund.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

8. Related party transactions (continued):

(c) The Partnership paid \$228,000 (2009 - \$246,000) to an entity related to Westar Management in respect of market-based automobile leases.

9. Employee future benefits:

The Partnership has two defined benefit pension plans (the Retirement Plan and the Pension Plan) and provides other retirement and post-employment benefits for most of its employees. Other retirement and post-employment benefits include a severance benefit plan, life insurance, dental, extended health and medical services plan.

Information about the Partnership's defined benefit pension plans and other benefit obligations using a measurement date of December 31, 2010 and 2009 respectively is as follows:

	Pension plan benefits		Other benefits	
	2010	2009	2010	2009
Accrued benefit obligation:				
Balance, beginning of year	\$ 69,697	\$ 59,820	\$ 29,527	\$ 22,789
Current service cost	1,057	819	934	688
Interest cost	4,229	4,295	2,079	1,667
Benefits paid	(4,083)	(3,686)	(1,236)	(1,611)
Actuarial losses	7,712	8,449	8,477	5,994
 Balance, end of year	 \$ 78,612	 \$ 69,697	 \$ 39,781	 \$ 29,527
 Plan assets:				
Fair value, beginning of year	\$ 67,364	\$ 54,507	\$ -	\$ -
Actual return on assets	7,203	11,709	-	-
Employer contributions	2,721	4,834	1,236	1,611
Benefits paid	(4,083)	(3,686)	(1,236)	(1,611)
 Fair value, end of year	 \$ 73,205	 \$ 67,364	 \$ -	 \$ -
 Balances, December 31:				
Funded status - plan surplus (deficit)	\$ (5,407)	\$ (2,333)	\$ (39,781)	\$ (29,527)
Unamortized net actuarial losses	24,003	20,688	14,523	6,871
Unamortized past service costs	4,824	5,813	335	538
 Accrued benefit asset (liability)	 \$ 23,420	 \$ 24,168	 \$ (24,923)	 \$ (22,118)

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

9. Employee future benefits (continued):

The pension plans are entirely funded by the Partnership. The Partnership'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.

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

	Most recent valuation date	Date of next required valuation
Pension plan	January 1, 2010	January 1, 2011
Retirement plan	January 1, 2010	January 1, 2013

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

	2010		2009	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	%	%	%	%
Benefit obligations:				
Discount rate at December 31	5.25	5.25	6.00	6.00
Rate of increase in future compensation	3.00	-	3.00	-
Benefit costs:				
Discount rate at January 1	6.00	6.00	7.25	7.25
Rate of increase in future compensation	3.50	3.50	3.50	3.50
Expected long-term rate of return on plan assets	7.00	-	7.00	-

The average rate of compensation increase is expected to be inflation with an adjustment for merit and productivity gains.

For measurement purposes, a 10% per annum increase in the per capita cost of covered extended health care benefits was assumed for 2011, grading down by 0.50% to 4.50%. The per annum increase in the per capita cost of medical service plan is 6.14% for 2011, grading down by 0.50% to 3.50%. The annual rate of increase in the per capita cost of dental benefits is 4.00%.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

9. Employee future benefits (continued):

The impact of a 1% point change in assumed drug and other health benefit costs would have the following effects:

	1% decrease	1% increase
Effect on benefit costs	\$ (276)	\$ 314
Effect on benefit obligation	(3,345)	3,770

The Partnership's defined benefit plans' weighted average asset allocations at the measurement date, by asset category, are as follows:

	2010	2009
	%	%
Cash and fixed income	32	32
Canadian equities	36	32
Foreign equities	32	36
	100	100

The Partnership's contributions for the years ended December 31 are as follows:

	2010	2009
Contributions to funded pension plans	\$ 2,721	\$ 4,834
Benefits paid directly to beneficiaries for other non-funded post-employment benefits	1,236	1,611
	\$ 3,957	\$ 6,445

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

9. Employee future benefits (continued):

The Partnership's net benefit plan expense for the years ended December 31, 2010 and 2009 is as follows:

	2010			2009			
	Incurred in year	Deferral and amortization		Recognized in year	Incurred in year	Deferral and amortization	
		adjustments ⁽¹⁾	in year			adjustments ⁽¹⁾	in year
Pension plan benefits:							
Current service							
cost	\$ 1,057	\$ -	\$ 1,057	\$ 819	\$ -	\$ 819	
Interest cost	4,229	-	4,229	4,295	-	4,295	
Expected return on plan assets	(7,203)	2,535	(4,868)	(11,709)	7,853	(3,856)	
Net actuarial losses (gains)	7,712	(5,850)	1,862	8,449	(6,727)	1,722	
Past service costs	-	989	989	-	989	989	
	\$ 5,795	\$ (2,326)	\$ 3,269	\$ 1,854	\$ 2,115	\$ 3,969	
Other benefits:							
Current service							
cost	\$ 934	\$ -	\$ 934	\$ 688	\$ -	\$ 688	
Interest cost	2,079	-	2,079	1,667	-	1,667	
Net actuarial losses (gains)	8,447	(7,652)	795	5,994	(5,946)	48	
Past service costs	-	203	203	-	218	218	
	\$ 11,460	\$ (7,449)	\$ 4,011	\$ 8,349	\$ (5,728)	\$ 2,621	

⁽¹⁾ The net impact of deferral and amortization adjustments is to recognize the long-term nature of employee future benefits.

10. Commitments:

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

The Partnership's terminal site is leased (the Lease) from the VFPA. The term of the lease is until December 31, 2026, with the Partnership having further options to extend the term to December 31, 2046. Charges payable by the Partnership under the Lease comprise an annual base land and waterlot rental fee of \$5,207,000 (2009 - \$5,207,000) and an annual participation rental based on the volume of coal shipped. A minimum participation rental of \$6,494,000 (2009 - \$6,494,000) is charged based on a minimum annual tonnage (MAT) of 17.6 million tonnes. A higher participation rental per tonne is charged on tonnage in excess of the MAT. In 2010, the Partnership paid \$6,832,000 (2009 - \$2,368,000) in relation to the higher participation rental.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

10. Commitments (continued):

Future minimum operating lease payments for the years ending December 31 (assuming minimum annual tonnes) are as follows:

	Terminal lease	Other	Total
2011	\$ 11,701	\$ 228	\$ 11,929
2012	11,701	228	11,929
2013	11,701	-	11,701
2014	11,701	-	11,701
2015	11,701	-	11,701
Thereafter to 2026	128,919	-	128,919

The Partnership has a commitment of approximately \$2,909,000 (2009 - \$2,802,000) with respect to equipment purchases that have been accrued for at December 31, 2010 and that are to be paid in 2011.

The Partnership has provided a letter of credit of \$4,080,000 (2009 - nil).

11. Significant customers:

Teck Resources Limited holds a 100% interest in Teck Coal Partnership (the Coal Partnership). During the year ended December 31, 2010, approximately 66% (2009 - 73%) of the Partnership's throughput was from mines owned by the Coal Partnership. As at December 31, 2010, the receivable from the Coal Partnership was \$17,844,000 (2009 - \$15,588,000).

12. Financial instruments:

The Fund is exposed to various risks associated with its financial instruments, which include credit risk, liquidity risk, and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Fund if a customer or a 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 Fund.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

12. Financial instruments (continued):

(a) Credit risk (continued):

The Fund's exposure to credit risk is influenced by the profitability of coal mining companies, which are heavily impacted by the price of the coal. The accounts receivable are concentrated with one customer, the Coal Partnership, as this customer represented approximately 66% of Westshore's throughput in 2010 (2009 - 73%). Westshore does not have any collateral or security over receivables. Westshore monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2010 and 2009, there were no trade accounts receivable past due which were considered uncollectible and no reserve in respect of doubtful accounts was recorded.

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

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

Cash and cash equivalents	\$ 62,900
Accounts receivable	22,654
Other assets - foreign currency contracts	18
<hr/>	
	\$ 85,572

(b) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Fund continually monitors its financial position to ensure that it has sufficient liquidity to discharge its obligations when due. The Fund's distribution obligation to unitholders is funded from operating income.

The financial liabilities of the Fund, which include accounts payable and accrued liabilities and distributions payable to unitholders, have a contractual maturity of less than one year. The Fund's foreign exchange contracts have maturities ranging from one month to four months as at December 31, 2010.

Westshore also maintains a \$5,000,000 operating facility that can be drawn down to meet short-term financing needs. No amounts were outstanding on this facility at December 31, 2010 and 2009. The term of the credit facility has been extended to February 9, 2012.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

12. Financial instruments (continued):

(c) Market risk:

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

(i) Foreign currency exchange rates:

The fair value of the Fund's outstanding foreign currency contracts at December 31, 2010 is an asset of \$18,000 (2009 - \$2,517,000). The fair market value of the Fund's foreign currency contracts has decreased by \$2,499,000 in 2010. The Fund is exposed to foreign currency exchange rate risk on its foreign currency contracts. The value of these financial instruments fluctuate with changes in the CAD/US dollar exchange rate. As at December 31, 2010, the Fund has put options with notional amounts totaling \$15.4 million to exchange US dollars for Canadian dollars with a strike price of \$1.047. The counterparty has call options with notional amounts totaling \$15.4 million to exchange US dollars for Canadian dollars with a strike price of \$0.965. A \$0.01 increase in the US/Canadian exchange rate at December 31, 2010 would have reduced the value of the US dollar foreign exchange contracts by approximately \$152,000 for the year ended December 31, 2010. The impact would have resulted in a reduction in net earnings and comprehensive earnings by \$152,000 for the year ended December 31, 2010. From the beginning of 2010 to December 31, 2010, the US dollar has weakened by approximately 6% against the Canadian dollar.

(ii) Interest rates:

The Fund has limited exposure to interest rate risk on its cash equivalents (short-term investments). Money market fund returns are correlated with Canadian T-bills and Bankers' Acceptances of major Canadian financial institutions. Based on the cash balance at December 31, 2010, a 1% change in interest rates would have impacted net earnings and comprehensive earnings by approximately \$629,000 for the year ended December 31, 2010.

(d) Fair values in the consolidated balance sheet:

The carrying amounts reported in the consolidated balance sheet for short term financial assets and liabilities, which includes accounts receivable, accounts payable and accrued liabilities and distributions payable to unitholders, approximate fair values due to the immediate or short-term maturities of these financial instruments.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

12. Financial instruments (continued):

(d) Fair values in the consolidated balance sheet (continued):

Following is a classification of fair value measurements recognized in the consolidated balance sheet using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

	Fair value measurement at reporting date using:			
	Quoted prices in active markets identical assets December 31, 2010	Significant other observable (Level 1)	Significant unobservable inputs (Level 2)	Significant inputs (Level 3)

Financial assets:

Held-for trading securities:

Cash and cash equivalents	\$ 62,900	\$ 62,900	\$ -	\$ -
---------------------------	-----------	-----------	------	------

Derivative instruments:

Foreign exchange contracts	18	-	18	-
----------------------------	----	---	----	---

Total	\$ 62,918	\$ 62,900	\$ 18	\$ -
-------	-----------	-----------	-------	------

Cash and cash equivalents are classified as held for trading and therefore are recorded at fair value.

The carrying amounts of foreign exchange 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.

13. Capital disclosure:

The capital of the Fund consists solely of unitholders' equity which includes issued trust units and cumulative earnings less cumulative distributions.

The objective of the Fund is to maintain a stable capital base and ensure that the capital structure does not interfere with the Fund's ability to meet its distribution requirements on the trust units. The Fund's Declaration of Trust provides that an amount equal to the net income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's net income. To the extent that the net income of the Fund exceeds the cash distributed during the year, the Fund will allocate non-cash distribution of units to Unitholders which will be immediately consolidated so that each Unitholder continues to hold the same number of Trust Units that existed before the distribution.

The Fund is not subject to externally imposed capital requirements. There have been no changes in how the Fund manages its capital during the period ended December 31, 2010.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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

Years ended December 31, 2010 and 2009

14. Subsequent events:

Effective January 1, 2011, the Fund was reorganized into two public companies pursuant to a plan of arrangement under the *Business Corporations Act* (British Columbia), approved by the Unitholders of the Fund at a special meeting held on November 5, 2010 (the Conversion). The new parent company, Westshore Terminals Investment Corporation (the Corporation), through its wholly owned subsidiary Westshore Terminals Holdings Ltd. (Holdings), owns 100% of the limited partnership units of the Partnership. Under the Arrangement, Unitholders received, for each Fund unit held, one common share of the Corporation and one note receipt representing \$5.00 principal amount of 10.5% subordinated notes (Holdings Notes) issued by Holdings. After giving effect to the Conversion, there are 74,250,016 common shares of the Corporation and note receipts representing \$371,250,080 aggregate principal amount of Holdings Notes issued and outstanding. The Corporation's common shares and Holdings' note receipts trade together as units on the Toronto Stock Exchange under the symbol "WTE.UN".

As a result of the Conversion, the Fund was wound up, and all of its assets and liabilities were transferred to Holdings. Further detailed information regarding the Conversion is contained in the Fund's management information circular dated October 5, 2010 for the special meeting of unitholders held on November 5, 2010, available on SEDAR.



Westshore Terminals Investment Corporation

Directors

William W. Stinson*Corporate Director***M. Dallas H. Ross***Partner, Kinetic Capital Partners***Jim G. Gardiner***Corporate Director***Gordon Gibson***Corporate Director***Michael J. Korenberg***Deputy Chairman & Managing Director,
The Jim Pattison Group*

Officers

William W. Stinson*Chairman, Chief Executive Officer & President***M. Dallas H. Ross***Director & Chief Financial Officer***Nick Desmarais***Secretary**Stock Exchange Listing**Toronto Stock Exchange**Trading Symbol**WTE.UN**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*

Westshore Terminals Holdings Ltd.

Directors

M. Dallas H. Ross*Partner, Kinetic Capital Partners***Glen Clark***President, The Jim Pattison Group***Doug Souter***Corporate Director*

Officers

M. Dallas H. Ross*Chairman, President, Chief Executive Officer
and Chief Financial Officer***Nick Desmarais***Secretary*

Westshore Terminals Ltd.

William W. Stinson*Director & President and Chairman***M. Dallas H. Ross***Director***Glen Clark***Director***Jim G. Gardiner***Director***Gordon Gibson***Director***Michael J. Korenberg***Director***Doug Souter***Director***Denis Horgan***Vice-President & General Manager***Nick Desmarais***Secretary*