



**WESTSHORE TERMINALS
INVESTMENT CORPORATION**

ANNUAL REPORT

2011

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.

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Financial Highlights

(In thousands of Canadian dollars except per share / Trust Unit amounts and tonnage)

	2011	2010
Tonnage (in thousands)	27,306	24,678
Revenue		
Coal	\$ 205,627	\$ 218,644
Other	\$ 7,210	\$ 4,892
	\$ 212,837	\$ 223,536
EBITDA	\$ 107,910	\$ 110,477
Interest paid and accrued on Holdings Notes	\$ 38,980	\$ -
Interest paid and accrued per Note Receipt	\$ 0.525	\$ -
Dividends declared	\$ 40,095	\$ -
Dividends declared per share	\$ 0.540	\$ -
Cash Distributions declared	\$ -	\$ 131,974
Cash Distributions per Trust Unit	\$ -	\$ 1.775
Units outstanding at December 31	74,250,016	74,250,016
Trading Statistics		
High	\$ 25.85	\$ 24.59
Low	\$ 20.00	\$ 13.55
Close	\$ 22.88	\$ 22.98
Volume	32,197,000	48,809,100



Westshore Terminals Investment Corporation

Directors' Letter and Report to Shareholders

Dear Shareholder:

The last several years including 2011 have seen major changes at Westshore. We have gone from operating with spare capacity to having more demand than we can handle, even factoring in our recent capacity growth. The completion of a three-year capital upgrade program at the cost of \$47 million, combined with the first stage of our current \$10 million maintenance program which involves the change out of a number of transfer chutes, enabled Westshore to handle a record volume of 27.3 million tonnes in 2011, compared to the previous record of 24.7 million tonnes in 2010. During 2012, Westshore will complete the current transfer chutes maintenance project and a \$43 million replacement of the single dumper with a double dumper. Once these improvements have been completed, which is expected to be by the end of 2012, it is anticipated that the rated capacity of the terminal will be approximately 33 million tonnes per year.

We have continued to see 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 for the long term. The fundamentals of the metallurgical coal market continue to appear strong. During 2011, we signed a number of long term agreements with our customers, reflecting the ongoing strong anticipated export demand. For 2012, we anticipate throughput levels, even after factoring in anticipated operational disruptions to complete the projects described above, to be close to 2011 levels, but at higher overall loading rates.

Another major change over recent years has been the move away from direct price participation by Westshore in prices realized for metallurgical coal sales by its principal customer, Teck Coal. Commencing April 1, 2011 all of Teck's tonnage through Westshore has been handled at fixed rates. In early 2011, we concluded a contract with Teck for the four-year period commencing April 1, 2012 providing significant volume commitments at fixed rates. These arrangements with Teck will 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 increased growth opportunities to Westshore. These developments 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 by maximizing the use of available capacity.

Effective January 1, 2011, the Corporation was restructured to its current form, having been previously in the form of an income fund. In July 2011, the Federal Department of Finance issued a news release announcing proposed amendments to the provisions in the Income Tax Act the effect of which would be to deny the deductibility of interest on Holdings' \$371 million notes bearing interest at 10.5%. A subcommittee of the board of directors was formed to explore options for changes, if any, to the capital structure of the Corporation and Holdings. As a result of this process (as announced on March 20, 2012), the board of directors of the Corporation has approved a capital restructuring that will involve an exchange of the Note Receipt component of the current trading unit for additional common shares of the Corporation, which will then be consolidated. The result will be that instead of the currently outstanding 74,250,016 units, the Corporation will have outstanding 74,250,016 common shares without any debt component held by the public securityholders. These proposed changes will require approval by securityholders and will be presented at the June 2012 Annual and Special Meeting. The details of this restructuring will be more fully set out in the Corporation's Information Circular to be released in May 2012.



Westshore Terminals Investment Corporation

Directors' Letter and Report to Shareholders

In December 2011, the labour agreement with Local 502 (representing the longshoremen) of the International Longshore and Warehouse Union, was concluded and ratified. This agreement is for a five year term expiring January 31, 2016. Subsequently, an agreement was concluded and ratified with Local 517 (representing the clerical staff). An agreement was reached with Local 514 (representing the foremen) which is subject to ratification. These latter two agreements also each have five year terms expiring on January 31, 2016.

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

For the Board of Directors,

we need



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 Investment Corporation ("the Corporation") and the notes thereto for the year ended December 31, 2011. This discussion and analysis has been based upon consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion and analysis is the responsibility of management of the Corporation. Additional information and disclosure can be found on SEDAR at www.sedar.com. Unless otherwise indicated, the information presented in this Management's Discussion and Analysis ("MD&A") is stated as at March 29, 2012.

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 (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. They 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, labour negotiations, the future cost of post-retirement benefits, 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 and deliver coal to the Terminal (as defined below), and the Corporation's ability in future to renegotiate key customer contracts on favourable terms. See also the risk factors outlined in the annual information form referred to above.



Westshore Terminals Investment Corporation

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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") each representing \$5.00 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 Conversion has been accounted for on a continuity of interest basis and accordingly, the consolidated financial statements reflect the financial position, results of operations and cash flows as if the Corporation had always carried on the business formerly carried on by the Fund, with all assets and liabilities transferring to the Corporation at their respective carrying values on January 1, 2011.

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 significantly affected by the volumes of coal shipped by different customers for sale in the export market, the rates per tonne charged by Westshore and Westshore's costs. In prior years, a substantial portion of the throughput of the Teck Coal Partnership ("Teck") was handled at loading rates that varied with the price of coal. Since April 1, 2011 none of the contracts with Teck provide for variable pricing. Contracts entered into in 2011 provide significant volume commitments, much of which are at fixed rates. Shipments under those contracts are expected to provide a stable base for revenues over the next few years, with the possibility of increased revenues from higher than committed shipments and increased rates under contracts that provide some element of price participation for the foreseeable future. The portion of revenues that is based on price participation is expected to be significantly smaller than in the period prior to 2010.

This MD&A has been prepared by the Corporation to accompany the financial results of the Corporation for the financial year ended December 31, 2011. The comparable statements for 2010 (and 2009) are the Fund's statements. References to the "Corporation" include the Fund for those historical periods.

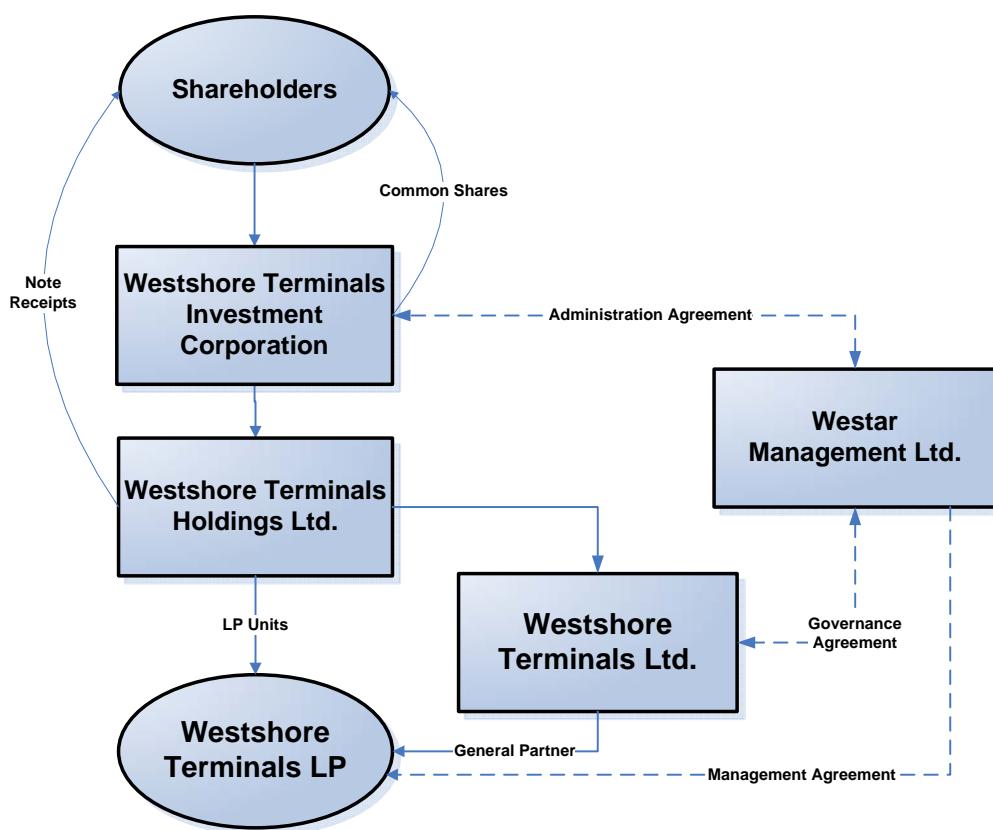


Westshore Terminals Investment Corporation

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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 2012 Annual and Special Meeting.



This MD&A refers to certain measures other than those prescribed by IFRS. 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 Corporation's financial statements. These non-IFRS 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.



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Selected Financial Information

The following financial data is derived from the Corporation's audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, which were prepared in Canadian dollars using IFRS, except for 2009 which was prepared using Canadian GAAP.

<i>(In thousands of Canadian dollars except per share/ Trust Unit amounts)</i>	2011	2010	2009
	<i>IFRS</i>	<i>IFRS</i>	<i>CDN GAAP</i>
Revenue	\$ 212,837	\$ 223,526	\$ 207,778
EBITDA	107,910	110,477	113,017
Profit (loss) before taxes	58,924	(45,318)	107,118
Profit (loss) for the period	42,993	(45,010)	107,130
Net Earnings per share / Trust Unit ⁽¹⁾	0.58	(0.61)	1.443
Interest paid and accrued on Holdings Notes	38,980	-	-
Interest paid and accrued per Note Receipt	0.525	-	-
Dividends declared	40,095	-	-
Dividends declared per share	0.540	-	-
Cash Distributions declared	-	131,794	92,070
Cash Distributions per Trust Unit	-	1.775	1.240
Distributions of Trust Units in lieu of cash ⁽²⁾	-	-	14,415
Distributions of Trust Units in lieu of cash per Trust Unit ⁽²⁾	-	-	0.194
Total Assets	569,091	559,653	608,763
Total Long Term Liabilities	428,215	794,500	30,798

- (1) The weighted average Common Shares outstanding for 2011 was 74,250,016 (2010 and 2009 – 74,250,016 Trust Units). IFRS requires Trust Unit distributions to be presented as a finance cost which affects profit or loss for the period.
- (2) In 2009, 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.

EBITDA is not a defined term under IFRS and herein means earnings before interest, taxes, depreciation, amortization and unrealized foreign exchange gains and/or losses. The Corporation believes that EBITDA is a useful measure of the cash flow of the Corporation's business and an indicator of the ability to fund investing activities such as capital expenditures and financing activities including servicing of debt obligations. EBITDA is also comparable across periods as it is unaffected by the changes in accounting from Canadian GAAP to IFRS and changes in the capital structure (conversion from income fund to corporation). The following table reconciles EBITDA to the Corporation's income statement.



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(In thousands of Canadian dollars)	2011	2010	2009
	IFRS	IFRS	CDN GAAP
	\$	\$	\$
Profit (loss) for the period	42,993	(45,010)	107,130
Add (deduct):			
Income tax expense (recovery)	15,931	(308)	(12)
Net interest expense (recovery)	38,847	131,362	(373)
Depreciation	10,042	21,934	21,379
Unrealized foreign exchange losses (gains)	97	2,499	(15,107)
EBITDA	107,910	110,477	113,017

As the foregoing table shows, EBITDA has been consistent over the last three years, as increases in throughput have substantially offset the reduction in rates. On the basis of contracts now in place, Westshore expects volumes to continue at or above 2011 levels at higher average rates.

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

(In thousands of Canadian dollars except per share and Note Receipt amounts)	Three Months Ended			
	Dec 31, 2011	Sept 30, 2011	Jun 30, 2011	Mar 31, 2011
	\$	\$	\$	\$
Revenue	55,447	55,639	51,675	50,076
EBITDA	30,147	27,983	26,688	23,092
Profit before income taxes	18,119	15,212	14,524	11,069
Profit for the period	13,357	10,963	10,516	8,157
Profit for the period per share	0.18	0.15	0.14	0.11
Interest paid/accrued on Holdings Notes	9,745	9,745	9,745	9,745
Interest paid/accrued per Note Receipt	0.131	0.131	0.131	0.131
Dividends declared	9,653	11,880	8,167	10,395
Dividends declared per share	0.130	0.160	0.110	0.140

(In thousands of Canadian dollars except per Trust Unit amounts)	Three Months Ended			
	Dec 31, 2010	Sept 30, 2010	Jun 30, 2010	Mar 31, 2010
	\$	\$	\$	\$
Revenue	55,315	61,632	53,273	53,316
EBITDA	21,812	31,910	27,553	29,202
Profit (loss) before income taxes	(19,620)	(7,432)	(11,408)	(6,858)
Profit (loss) for the period	(18,547)	(7,415)	(11,915)	(7,133)
Profit (loss) for the period per unit	(0.25)	(0.10)	(0.16)	(0.10)
Cash Distributions declared ⁽¹⁾	36,011	34,155	30,443	31,185
Cash Distributions per Trust Unit	0.485	0.460	0.410	0.420

(1) Cash distributions include Trust Unit distributions declared by the trustees of the Fund. IFRS requires Trust Unit distributions to be presented as an interest expense which affects profit or loss for the period.



Westshore Terminals Investment Corporation

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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 55% of Westshore's throughput by volume in 2011 (2010 – 66%).

Coal is delivered to the Terminal in unit trains operated by the Canadian Pacific, CN and BNSF Railways 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 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>					
	2011		2010		2009
	Tonnes	%	Tonnes	%	Tonnes
Asia	20,226	75	19,078	77	16,306
Europe	3,684	13	3,439	14	3,030
S. America	2,810	10	1,680	7	317
Other	586	2	481	2	400
Total	27,306	100	24,678	100	20,053

During 2011, 58% of Westshore's volume was metallurgical coal (66% in 2010), 41% was thermal coal (33% in 2010) and 1% was petroleum coke.

The significant growth from 2009 to 2011 in the throughput destined for Asia from 16.3 to 20.2 million tonnes was as a result of significant increases in shipments to Korea where the increase was principally in shipments of thermal coal. The volume of thermal coal increased by 300% between 2008 and 2011, primarily 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 2011.

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. Over the last decade there have been significant variations in the supply-demand balance in seaborne metallurgical coal, and resulting significant variations in the prices obtained by Westshore's customers. Prices for metallurgical coal are now being established on a quarterly basis and rose significantly since the latter part of 2010 by reason of improved worldwide economic activity.



Westshore Terminals Investment Corporation

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Pricing of coal is significant to Westshore, even though it will have less direct exposure to rates that vary with coal prices than prior to 2010, as maintenance of strong throughput levels requires shippers to obtain adequate prices to sustain their operations.

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's previous contracts with Teck expire March 31, 2012. Westshore's new agreement to handle coal from Teck's mines has 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 contract year increasing to at least 17 million tonnes, all at fixed rates. Westshore expects that Teck will ship most of the remaining coal from its mines through Neptune Terminals, with some being shipped through Ridley Terminals in Prince Rupert.

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 2011, Coal Valley shipped 2.7 million tonnes of thermal coal through the Terminal compared to 1.6 million tonnes in 2010. The pricing mechanism under this contract is based on fixed rates with escalation.

In 2011, Westshore renegotiated its contract with Grande Cache Coal Corporation ("Grande Cache") for handling coal produced from its operations in Alberta, which will now expire on March 31, 2022. Westshore loaded 1.2 million tonnes under this contract in 2011, compared to 1.3 million tonnes in 2010. The contract with Grande Cache provides for shipments through Westshore exclusively.

Westshore has entered into a number of contracts with U.S. thermal coal producers for 2010-12 and in 2011 entered into new contracts for 2013-22. Contracts with these shippers generally provide for a variable rate based on the U.S. dollar price received for the product, subject to a floor price denominated in U.S. dollars. These shippers accounted for approximately 30% of Westshore's throughput in 2011. The percentage of Westshore's overall shipments that were comprised of thermal coal increased from 33% in 2010 to 41% in 2011.

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. A new five year agreement with Local 502 was reached in December 2011 and a new agreement with Local 517 was reached in January 2012. An agreement was reached with Local 514 which is subject to ratification.

Facilities

In 2010, Westshore completed a three year program involving the upgrade of certain equipment and the addition of new equipment at the Terminal site, at a total cost of \$47 million. Prior to those improvements the Terminal's functional throughput capacity was assessed at somewhat less than 24 million tonnes per annum.

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 addition of a fourth stacker/reclaimer, and associated conveyor system, was the principal recent addition. All four stacker/reclaimers have been automated and other systems have been 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



Westshore Terminals Investment Corporation

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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, allowing it to handle a record 27.3 million tonnes in 2011.

Despite these improvements Westshore has not been able to meet all the requests for service from its present customers, and has had to decline requests from others who would like to ship through the Terminal. A significant maintenance program is underway to replace chutes in four transfer towers at a cost of \$10 million, which will improve the flow of product. Moreover, a further capital expansion has been initiated which consists of replacing the existing single dumper with a double dumper and addition of related equipment. This 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 these projects are complete, it is anticipated that the rated terminal throughput will be approximately 33 million tonnes.

Results of Operations

Westshore loaded 27.3 million tonnes during 2011 as compared to 24.7 million tonnes during 2010. Coal loading revenue decreased by 6% to \$205.6 million in 2011 compared with \$218.6 million in 2010. The decrease was due to a lower average rate, which resulted primarily from the elimination of variable loading rates tied to the price of coal shipped by Teck, substantially offset by higher volumes. In the fourth quarter of 2011, Westshore's loading revenue was \$52.1 million as compared to \$54.1 million in the fourth quarter of 2010, on shipments of 7.0 million tonnes in the fourth quarter of 2011, as compared to 6.4 million tonnes in the fourth quarter of 2010.

Other income consisted of wharfage income, which was consistent with the prior year, and \$2.3 million relating to the proceeds from a business interruption insurance claim (arising from the shiploader incident in the first quarter).

Operating expenses decreased by 6% from \$112.2 million in 2010 to \$105.8 million in 2011. Under IFRS, operating costs include depreciation expense, which reduced from \$21.9 in 2010 to \$10.0 in 2011 as a result of certain assets being fully amortized by the end of 2010. Detention and demurrage charges also decreased from a \$8.1 million expense in 2010 to a \$1.0 million recovery in the current year. Improved operating performance and settlements of prior year obligations contributed to this decline in detention and demurrage charges. The remaining operating costs increased from \$82.2 million in 2010 to \$96.8 million in 2011, principally due to increases in wages and outside services resulting from higher throughput and maintenance projects during the year, and higher lease costs which vary with throughput.

Administration costs decreased from \$25.5 million in 2010 to \$9.7 million in 2011, primarily as a result of a lower incentive fee payable to the Manager, along with lower professional fees which were higher in 2010 due to the Fund's conversion to a corporate structure. The incentive fee is determined under the management agreement between Westshore and the Manager (the "Management Agreement") pursuant to a pre-set formula, which changed effective January 1, 2011.

Net finance costs for 2011 were \$38.8 million compared to \$131.4 million in 2010. The interest expense in 2011 represents interest accrued on the Holdings Notes whereas the expense in 2010 represents the Fund's distributions on the Trust Units which are presented as a liability under IFRS with corresponding distributions shown as an interest cost. The Holdings Notes are an interest-bearing obligation which did not exist in the prior year. Other interest income decreased from \$0.4 million in 2010 to \$0.1 million in 2011, primarily due to a lower average cash balance and a low interest rate environment.



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Foreign exchange gains (realized and unrealized) increased from \$0.2 million in 2010 to \$0.5 million in 2011. Westshore previously engaged in more hedging activity due to its greater exposure to foreign exchange fluctuations under prior contract pricing mechanisms. Fewer forward contracts were executed in 2011 as variable-rate revenues that were impacted by the Canadian/U.S. dollar exchange rate were lower. In addition, the exchange rate movement in 2011 was much less significant than in 2010 which resulted in smaller cash settlements on the forward contracts. Westshore anticipates limited hedging activity going forward given the contract structure now in place.

Income tax expense increased from a \$0.4 million recovery in 2010 to a \$15.9 million expense in 2011. During 2010, under the income fund structure no current income taxes were payable. After the Conversion in 2011, the Corporation and Holdings are responsible for paying corporate income taxes on their earnings. The current tax expense for 2011 was \$15.0 million which was not incurred in the prior year.

Other comprehensive loss increased from \$5.2 million in 2010 to \$6.4 million in 2011. Other comprehensive income (loss) includes actuarial gains and losses on the defined benefit post-retirement obligations. In both years, declining bond interest rates, which are used to discount future obligations, caused the post-retirement obligations to increase significantly and rates ended 2011 at historic lows. In 2010, pension plan asset values increased which helped to reduce the valuation loss on the retirement obligations. Plan asset values declined significantly in 2011 but this loss was partially offset by the reversal of an impairment relating to minimum future funding obligations.

Earnings before depreciation, interest, unrealized foreign exchange and income taxes were slightly lower in 2011, at \$107.9 million as compared to \$110.5 million in 2010. Earnings before depreciation, income, unrealized foreign exchange and income taxes for the fourth quarter of 2011 were \$30.1 million, compared to \$21.8 million for the fourth quarter of 2010.

Cash Flows

Cash flow from operations, as presented on the consolidated statement of cash flows, represents the funds available to the Corporation to cover capital expenditures and interest obligations and to pay dividends to shareholders. Cash flow from operations decreased slightly from \$116.0 million in 2010 to \$113.3 million in 2011. Cash flows before changes in working capital were impacted in 2011 by lower average loading rates offset by higher throughput. The decline was mitigated as Holdings did not have to make any tax instalments for the year. The 2011 current tax expense of \$15.0 million was not paid until February 2012. The Corporation retained funds to cover the February payment.

Working capital provided a source of cash in 2011 as accounts payable balances were high at the end of the year. This reversed subsequent to year-end.

Cash flow used in investing activities increased from \$9.5 million in 2010 to \$15.0 million in 2011 as Westshore incurred higher capital expenditures compared to the prior year. This increase was driven primarily by commencement of the chute upgrade project, initial spending on the project to install the new double dumper, and improvements to the dust collection and containment systems.

Cash used in financing activities decreased from \$125.1 million in 2010 to \$95.5 million in 2011 as distributions were lower in 2011. The prior year distributions included special distributions from cash reserves which did not reoccur in 2011 and the 2011 distributions were negatively impacted by lower cash flow from operations and higher tax expense.



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Liquidity and Capital Resources

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. Capital expenditures required to maintain the Terminal's existing throughput capacity and refurbish equipment in the ordinary course of business have increased over the past several years, and it is reasonable to expect that recent levels of spending will continue. Meeting these capital requirements, along with managing variations in working capital, are well within Westshore's financial capacity based solely on revenues less expenses, without any need for financing except for material capital 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 \$10 million operating facility that, if required, can be utilized to meet working capital requirements. This facility was not used during 2011 or 2010 and remained undrawn at December 31, 2011, although Westshore has an outstanding letter of credit for \$4.1 million. Westshore will finance the expected \$43 million cost of its further expansion by way of a five year \$50 million revolving bank debt facility which was secured during the third quarter. This facility also remained undrawn at December 31, 2011, and does not require principal repayments prior to maturity.

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 funding requirements were \$5.9 million in 2011, which comprised \$4.6 million for contributions to the pension plans and \$1.3 million for payments for other post-retirement benefits. Westshore anticipates that its funding requirements in 2012 will be higher than in 2011 as the low interest rate environment will negatively impact the pension plan valuations as of December 31, 2011. Westshore does not anticipate any problems satisfying its 2012 funding obligations out of current cash flows. The balance sheet reflects a \$57.0 million unfunded obligation for post-retirement benefits which has increased by \$6.7 million from the prior year. This balance would be expected to decline in the future if interest rates increase.

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
	\$	\$	\$
2012	11,701	267	11,968
2013	11,701	267	11,968
2014	11,701	-	11,701
2015	11,701	-	11,701
2016	11,701	-	11,701
Thereafter to 2026	117,218	-	117,218

Westshore has a commitment of US\$38.6 million with respect to equipment purchases that are to be delivered and paid for in 2012.

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. 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.



Westshore Terminals Investment Corporation

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

Distributions

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

<i>(in thousands of Canadian dollars except per share, Note Receipt or Trust Unit amounts)</i>	2011 \$	2010 \$	2009 \$
Total Dividends on Common Shares	40,095	-	-
Total Dividends per Common Share	0.540	-	-
Total Interest on Holdings Notes	38,980	-	-
Total Interest per Note Receipt	0.525	-	-
Total Cash Distributed on Trust Units		131,794	92,070
Total Cash Distributed per Trust Unit	-	1.755	1.240
Trust Units Distributed in lieu of cash	-	-	14,415
Trust Units Distributed per Trust Unit	-	-	0.194

Distributions for 2011 are not comparable to those paid in 2010 and 2009 when the structure of the entity was an income fund, rather than the corporate form, and no income taxes were paid at the fund level. 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 the Corporation and 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 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 is 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, including capital and debt repayment requirements. The Corporation declared a dividend of \$0.17 per Common Share to be paid on April 13, 2012 to shareholders of record at the close of business on March 31, 2012. In subsequent quarters, dividends will be declared based on actual results and the factors identified above.

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 other non-cash items, less amounts to cover its expected cash requirements, such as capital expenditures, pension contributions and debt repayments.



Westshore Terminals Investment Corporation

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

Outlook

The cash inflows of the Corporation and Holdings are entirely dependent on Westshore's operating results. They are significantly affected by the volume and mix of coal shipped through the Terminal, the rates charged to customers for that coal, and Westshore's operating and administrative costs. Contracts entered into in 2011 provide significant volume commitments, much of which are at fixed rates. Shipments under those contracts are expected to provide a stable base for revenues over the next few years, with the possibility of increased revenues from higher than committed shipments and increased rates under contracts that provide some element of price participation. The portion of revenues that is based on price participation is expected to be significantly smaller than in the period prior to 2010. Despite reduced variability in components of the Corporation's financial results, by reason of possible variations in tonnage and rates, the Corporation cannot predict accurately the level of its dividends for 2012 or future years.

The variance in revenues from 2011 will ultimately be impacted by numerous factors, including total volumes shipped through the Terminal, the distribution of throughput by customer, prices realized by certain shippers and foreign exchange rates. Based on the information currently available to it and factoring in the expected duration of operational disruptions resulting from capital projects, Westshore is anticipating volume levels in 2012 to be at similar levels to those in 2011, but at higher rates. 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.

Transactions with Related Parties

In 2011, Westshore paid \$2.6 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 \$1.9 million (excluding HST). 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. Effective January 1, 2012, the annual base management fee increased to \$950,000 and will increase by 3% each year thereafter.

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

In 2011, the Corporation and Holdings paid a total of \$250,000 (excluding HST) to the Manager for administration services provided under the Amended Administration Agreement between the Corporation and the Manager. Effective January 1, 2012, the annual administration fee increased to \$325,000 and will increase by 3% each year thereafter.

Proposed Amendments to *Income Tax Act* (Canada)

As part of the Conversion, Holdings issued the Holdings Notes, represented by Note Receipts which trade on the TSX together with Common Shares of the Corporation as Units. On July 20, 2011 the Federal Department of Finance issued a news release and "backgrounder" (the "Announcement") announcing proposed amendments to the provisions in the *Income Tax Act* concerning the income tax treatment of specified investment flow-through entities and publicly traded corporations. A portion of the proposed amendments is targeted at so-called "stapled units", which the Corporation understands will be defined so as to include the Common Shares and Note Receipts of the type issued by the Corporation and Holdings respectively. The effect of the proposed amendments would be to deny deductibility of interest on the Holdings Notes.



Westshore Terminals Investment Corporation

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

The Announcement states that issuers will have a one-year transition period before deductibility is denied. It is therefore probable that the current structure of the Corporation and Holdings and their outstanding securities will remain in place until mid-2012. A subcommittee of the board of directors was formed to explore options for changes, if any, to the capital structure of the Corporation and Holdings. As a result of this process (and as announced on March 20, 2012), the board of directors of the Corporation has approved a capital restructuring to be effective July 1, 2012 that will involve an exchange of the Note Receipt component of the current trading unit for additional common shares of the Corporation, which will then be consolidated. The result will be that instead of the currently outstanding 74,250,016 units, the Corporation will have outstanding 74,250,016 common shares without any debt component held by the public securityholder. The proposed changes will require approval by the securityholders and will be presented at the June 2012 Annual and Special Meeting. The details of the proposed restructuring will be more fully set out in the Corporation's Information Circular to be released in May 2012.

Changes In Accounting Policies

The Fund's accounting policies are found in note 3 of the Fund's financial statements beginning on page 22. There were no changes in accounting policies during the year ended December 31, 2011.

Critical Accounting Estimates

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

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

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.



Westshore Terminals Investment Corporation

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

Goodwill

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

Employee Future Benefits

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

Deferred Income Taxes

Deferred income tax assets and liabilities have been recognized for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet. The deferred income tax balances can be affected by a change in the estimate of when temporary differences reverse and the likelihood of realization of deferred 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. 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. Because of changes in contract provisions, the impact of such liabilities is not expected to be material in the future.

International Financial Reporting Standards (IFRS)

The Corporation adopted IFRS in 2011 with a transition date of January 1, 2010. The Corporation's accounting policies are found in note 3 of the financial statements included with this annual report.

The use of IFRS for financial reporting in Canada is applicable for fiscal years beginning on or after January 1, 2011. The following paragraphs provide a more in-depth discussion of the significant accounting changes. A detailed reconciliation of the financial statement change from Canadian GAAP to IFRS is presented in note 20 to the financial statements.



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 has elected 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 Corporation'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 revised rules in IAS 19 which eliminate the corridor approach for amortizing actuarial gains and losses over a period of time effective January 1, 2013.

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 were amortized through net income over the average remaining service life of the employees which is a longer period of time.

The pension expense under IFRS is less than it was under Canadian GAAP because the pension expense does not include any amortization of actuarial losses and past service costs. The impact on profit before tax for 2010 was a decrease of \$3.9 million to the amounts reported under Canadian GAAP. The total post-retirement benefit expense for 2011 under IFRS was \$4.1 million compared to \$3.6 million in 2010.

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, which could include changes in interest rates and updated valuations. IFRS also requires companies to assess the impact of future minimum funding requirements and record an impairment charge if these funding requirements will create a pension asset that cannot be utilized. The impact on other comprehensive income for 2011 was an \$8.5 million loss compared to a \$7.0 million loss in 2010, excluding the associated changes in deferred taxes. These changes were not recorded under Canadian GAAP in the prior year.

Depreciation

IAS 16 *Property, Plant & Equipment* requires depreciation to start once an asset is available for use. The Corporation's historical accounting policy resulted in depreciation commencing at a later date. This change resulted in a \$0.9 million increase in depreciation expense for 2010.

Presentation of the Fund's Trust Units

Under IFRS, the Fund's Trust Units are presented as a liability due to the Fund's requirement to distribute taxable income to the unitholders. This change in presentation only affects the comparative financial information as the Fund was wound up on January 1, 2011. The liability was measured at the original issue price of the Trust Units of \$744.2 million. Under IFRS, debt issue costs are netted against a liability and amortized until the maturity date. Since the Trust Units had no maturity date for IFRS purposes, the Fund expensed the issue costs immediately which resulted in a \$40.2 million decrease to retained earnings on the transition date. The quarterly distributions on the Trust Units are presented as a financing expense rather than an equity distribution.



Westshore Terminals Investment Corporation

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

New standards and interpretations not yet adopted:

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements*. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The effective date of this standard is January 1, 2013, but early adoption is permitted. The Corporation has not determined the impact of the new standards on the consolidated financial statements and has not decided whether the standard will be early adopted.

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows. The effective date of this standard is January 1, 2013, but early adoption is permitted. The Corporation has not determined the impact of the new standards on the consolidated financial statements and has not decided whether the standard will be early adopted.

IFRS 13 – Fair Value Measurement

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*. The objective of IFRS 13 is to define fair value, set out in a single IFRS framework for measuring fair value, and establish disclosure requirements regarding fair value measurements. The effective date of this standard is January 1, 2013, but early adoption is permitted. The Corporation has not determined the impact of the new standards on the consolidated financial statements and has not decided whether the standard will be early adopted.

Internal Controls Over Financial Reporting

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

The Chief Executive Officer and Chief Financial Officer of the Corporation have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation’s internal controls over financial reporting as of December 31, 2011. Based on that assessment, it was determined that the internal controls over financial reporting were appropriately designed and were operating effectively. No material changes were identified in the Corporation’s internal controls over financial reporting during the year ended December 31, 2011 that have materially affected the Corporation’s internal controls over financial reporting, or are reasonably likely to materially affect the Corporation’s internal controls over financial reporting.

It should be noted that a control system, including the Corporation’s 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, Holdings and the Corporation as of December 31, 2011 and have concluded that such disclosure controls and procedures provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in such legislation.

Additional information relating to the Corporation, 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 International Financial Reporting Standards and reflect where necessary management's best estimates and judgments.

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

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

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

William W. Stinson
Director

M. Dallas H. Ross
Director



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Westshore Terminals Investment Corporation

We have audited the accompanying consolidated financial statements of Westshore Terminals Investment Corporation, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting Standards, 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 the 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 opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Westshore Terminals Investment Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 29, 2012
Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

	Note	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets:				
Cash and cash equivalents		\$ 65,587	\$ 62,900	\$ 81,486
Accounts receivable		21,780	22,654	19,512
Inventories		8,308	6,918	6,284
Prepaid expenses		734	654	684
Other assets	17	-	18	2,517
		96,409	93,144	110,483
Property, plant, and equipment:				
At cost	4	538,039	522,997	513,588
Accumulated depreciation		(436,858)	(426,816)	(405,017)
		101,181	96,181	108,571
Goodwill		365,541	365,541	365,541
Deferred income taxes	7	5,960	4,787	2,732
		\$ 569,091	\$ 559,653	\$ 587,327

Liabilities and Shareholders' Equity

Current liabilities:				
Accounts payable and accrued liabilities		\$ 31,073	\$ 20,993	\$ 13,095
Provisions	12	2,631	4,958	3,253
Income tax payable		14,979	-	-
Other liabilities	17	79	-	-
Accrued interest payable		9,757	36,011	29,700
Dividends payable to shareholders	8	9,653	-	-
		68,172	61,962	46,048
Employee future benefits	10	56,965	50,259	43,597
Holdings notes payable	11	371,250	-	-
Trust Units	11	-	744,241	744,241
		496,387	856,462	833,886
Shareholders' equity / Unitholders' deficit:				
Share capital	8	1,335,015	-	-
Retained deficit		(1,262,311)	(296,809)	(246,559)
		72,704	(296,809)	(246,559)
		\$ 569,091	\$ 559,653	\$ 587,327

Subsequent event (note 21)

Commitments (notes 14 and 15)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

William W. Stinson, Director

M. Dallas H. Ross, Director

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2011 and 2010

	Note	2011	2010
Revenue:			
Coal loading		\$ 205,627	\$ 218,644
Other		7,210	4,892
		212,837	223,536
Expenses:			
Operating		105,832	112,149
Administrative		9,690	25,499
		115,522	137,648
Other:			
Foreign exchange gain		456	157
Profit from operating activities		97,771	86,045
Net finance costs	5	(38,847)	(131,362)
Profit (loss) before income tax		58,924	(45,317)
Income tax expense (recovery)	6	15,931	(307)
Profit (loss) for the year		42,993	(45,010)
Other comprehensive loss:			
Defined benefit plan actuarial losses	10	(8,502)	(6,987)
Income tax recovery on other comprehensive loss		2,126	1,747
Other comprehensive loss for the year, net of income tax		(6,376)	(5,240)
Total comprehensive income (loss) for the year		\$ 36,617	\$ (50,250)
Profit per share:			
Basic and diluted profit (loss) per share	9	\$ 0.579	\$ (0.606)

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2011 and 2010

	Share capital	Retained Deficit	Total
Balance at January 1, 2010	\$ -	\$ (246,559)	\$ (246,559)
Loss for the year	-	(45,010)	(45,010)
Other comprehensive loss:			
Defined benefit plan actuarial losses, net of tax of \$1,747	-	(5,240)	(5,240)
Total comprehensive loss for the year	-	(50,250)	(50,250)
Balance at December 31, 2010	\$ -	\$ (296,809)	\$ (296,809)
Balance at January 1, 2011	\$ -	\$ (296,809)	\$ (296,809)
Profit for the year	-	42,993	42,993
Other comprehensive loss:			
Defined benefit plan actuarial losses, net of tax of \$2,126	-	(6,376)	(6,376)
Total comprehensive income for the year	-	36,617	36,617
Contributions by and distributions to shareholders of the Corporation:			
Issuance of common shares on exchange of Trust Units	1,335,015	(962,024)	372,991
Dividends to shareholders	-	(40,095)	(40,095)
Total contributions by and distributions to shareholders of the Corporation	1,335,015	(1,002,119)	332,896
Balance at December 31, 2011	\$ 1,335,015	\$ (1,262,311)	\$ 72,704

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Profit (loss) for the year	\$ 42,993	\$ (45,010)
Adjustments for:		
Foreign exchange contracts	97	2,499
Depreciation	10,042	21,932
Employee future benefits liability	(1,796)	(325)
Net finance costs	38,847	131,362
Income tax expense (recovery)	15,931	(308)
Gain on sale of fixed assets	-	(18)
	106,114	110,132
Changes in non-cash operating working capital and other:		
Accounts receivable	874	(3,142)
Inventories	(1,390)	(634)
Prepaid expenses	(80)	30
Accounts payable and accrued liabilities & provisions	7,754	9,603
	113,272	115,989
Financing:		
Interest received	146	432
Interest paid to noteholders/unitholders	(65,247)	(125,483)
Dividends paid to shareholders	(32,442)	-
	(95,543)	(125,051)
Investments:		
Property, plant and equipment, net	(15,042)	(9,524)
Increase (decrease) in cash and cash equivalents	2,687	(18,586)
Cash and cash equivalents, beginning of the year	62,900	81,486
Cash and cash equivalents, end of the year	\$ 65,587	\$ 62,900
Supplementary information:		
Non-cash transactions:		
Issuance of common shares	\$ 1,335,015	\$ -
Issuance of notes payable	371,250	-
Exchange of Trust Units	744,241	-

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

1. Reporting entity:

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 Westshore Terminals Investment Corporation (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". Holdings owns all of the limited partnership units of Westshore Terminals Limited Partnership ("Westshore").

The Conversion has been accounted for on a continuity of interest basis and accordingly, the consolidated financial statements reflect the financial position, results of operations and cash flows as if the Corporation had always carried on the business formerly carried on by the Fund, with all assets and liabilities transferring to the Corporation at their respective carrying values on January 1, 2011.

Information herein with respect to Westshore Terminals Investment Corporation includes information in respect of the Fund prior to completion of the Conversion to the extent applicable unless the context otherwise requires.

Westshore operates a coal storage and loading terminal at Roberts Bank, British Columbia.

The Corporation is domiciled in Canada. The address of the Corporation's registered office is 1800 – 1067 West Cordova St., Vancouver, BC V6C 1C7. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2011 comprise the Corporation and its subsidiaries (together referred to as the "Corporation"). The comparative figures include the results for the Fund to provide shareholders with comparative information for Westshore's operations.

The consolidated financial statements of the Fund as at and for the period ended December 31, 2010 which were prepared under Canadian generally accepted accounting principles are available upon request from the Corporation's registered office, at www.westshore.com or on SEDAR at www.sedar.com.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Corporation's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 20.

The consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2012.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

2. Basis of preparation (continued):

(b) Basis of measurement:

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

- financial instruments classified as fair value through profit and loss are measured at fair value;
- derivative financial instruments are measured at fair value; and
- the defined benefit obligation is recognized as the present value of the defined benefit obligation, measured at fair value, less plan assets at fair value.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 10 – measurement of defined benefit obligations

Note 12 – provisions.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

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3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

(a) Basis of consolidation:

(i) Subsidiaries:

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

(ii) Transactions eliminated on consolidation:

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

(b) Foreign currency:

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

(c) Financial instruments:

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provisions, income tax payable, interest payable to noteholders, dividends payable to shareholders and notes payable.

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

Cash and cash equivalents

The Corporation considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less when acquired as cash and cash equivalents. Cash and cash equivalents are classified as loans and receivables.

Receivables

Receivables are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial liabilities

Financial liabilities are classified as loans and payables. Loans and payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. After initial recognition these liabilities are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Corporation has chosen to early adopt IFRS 9, *Financial Instruments*, with an effective date of January 1, 2010. Under this new standard, financial assets are measured at fair value unless those assets are held to collect contractual cash flows which include only principal and interest payments on those assets, in which case they are recorded at historical amortized cost. Financial liabilities are measured at amortized cost unless they are designated as fair value through profit or loss. The early adoption of this standard did not have a material impact on the financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(d) Property, plant and equipment:

(i) Recognition and measurement:

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

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

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

(ii) Depreciation:

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

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

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

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

(ii) Depreciation (continued):

The Corporation has changed its accounting policy with respect to depreciation. Under IFRS, depreciation must start once the asset is available for use. This is different from the Corporation's previous accounting policy of starting depreciation at a later date. The change in accounting policy has been applied retroactively and did not have a material effect on these consolidated financial statements.

(e) Impairment:

Non-Financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

Financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Corporation considers evidence of impairment for financial assets, and in particular receivables, at both a specific asset and collective level.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(e) Impairment (continued):

Financial assets (continued)

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recognized. For financial assets measured at amortized cost, this reversal is recognized in the statement of comprehensive income.

(f) Goodwill:

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP.

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

(g) Inventories:

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

(h) Employee benefits:

Defined benefit plans

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

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Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(h) Employee benefits (continued):

Defined benefit plans (continued)

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

All actuarial gains and losses at January 1, 2010, the date of transition to IFRSs, were recognized in retained earnings (deficit). The Corporation recognizes all actuarial gains and losses arising subsequently from defined benefit plans immediately in other comprehensive income and expenses related to defined benefit plans in profit or loss.

Other long-term employee benefits

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

(i) Revenue:

Coal loading revenue is recognized when a customer's coal is completely 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 terminal.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

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3. Significant accounting policies (continued):

(j) Provisions:

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

Ship demurrage & train detention costs

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

Decommissioning liabilities

The Corporation'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 further periods up to 25 years. At the expiry of the lease term, assuming the Corporation has not been successful in further extending the lease, the VFPA has the option to acquire the assets of the terminal at fair value or require the Corporation to return the site to its original condition. The Corporation believes that the probability that the VFPA will elect to enforce site restoration is negligible and any decommissioning liability would not be material.

(k) Income tax:

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

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

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

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

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

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(l) Borrowing costs:

The Corporation has elected to apply the transitional provisions of IAS 23, *Borrowing Costs*, prospectively from the date of transition. This did not have any material immediate impact on the financial statements but will have a material effect if the Corporation funds the capital projects using borrowed funds.

(m) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Corporation.

Amendments to IAS 1 Presentation of Financial Statements

In June 2011 the IASB published amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted. The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged. The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on the financial statements.

IFRS 10 Consolidated Financial Statements

In May 2011 the IASB issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements*. The Corporation intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 13 Fair Value Measurement

In May 2011 the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(m) New standards and interpretations not yet adopted (continued):

IFRS 13 Fair Value Measurement (continued)

measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Corporation intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect IFRS 13 to have a material impact on the financial statements.

Amendments to IAS 19 Employee Benefits

In June 2011 the IASB published an amended version of IAS 19 *Employee Benefits*. Adoption of the amendment is required for annual periods beginning on or after January 1, 2013, with early adoption permitted. The amendments require the following:

- Recognition of actuarial gains and losses immediately in other comprehensive income
- Full recognition of past service costs immediately in profit or loss
- Recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation
- Additional disclosures that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks.

The amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 *Provisions*, and when the entity can no longer withdraw the offer of the termination benefits.

The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect the amendments to IAS 19 to have a material impact on the financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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Years ended December 31, 2011 and 2010

4. Plant and equipment:

	Buildings and land improvements	Machinery and equipment	Construction in progress	Total
Cost				
Balance at January 1, 2010	\$ 34,041	\$ 454,717	\$ 24,830	\$ 513,588
Additions	-	-	9,542	9,542
Transfers	117	33,469	(33,586)	-
Disposals	-	(133)	-	(133)
Balance at December 31, 2010	34,158	488,053	786	522,997
Balance at January 1, 2011	34,158	488,053	786	522,997
Additions	-	-	15,042	15,042
Transfers	307	2,796	(3,103)	-
Disposals	-	-	-	-
Balance at December 31, 2011	\$ 34,465	\$ 490,849	\$ 12,725	\$ 538,039
Accumulated Depreciation				
Balance at January 1, 2010	\$ 28,165	\$ 376,852	-	\$ 405,017
Depreciation for the year	897	21,035	-	21,932
Disposals	-	(133)	-	(133)
Balance at December 31, 2010	29,062	397,754	-	426,816
Balance at January 1, 2011	29,062	397,754	-	426,816
Depreciation for the year	913	9,129	-	10,042
Disposals	-	-	-	-
Balance at December 31, 2011	\$ 29,975	\$ 406,883	-	\$ 436,858
Carrying amounts				
At January 1, 2010	\$ 5,876	\$ 77,865	\$ 24,830	\$ 108,571
At December 31, 2010	5,096	90,299	786	96,181
At December 31, 2011	4,490	83,966	12,725	101,181

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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Years ended December 31, 2011 and 2010

5. Finance costs:

	2011	2010
Interest income on bank deposits	\$ 134	\$ 432
Interest income	134	432
Interest accrued to noteholders	(38,981)	-
Distributions declared to Unitholders	-	(131,794)
Finance costs	(38,981)	(131,794)
Net finance costs recognized in profit or loss	\$ (38,847)	\$ (131,362)

The distributions declared to holders of Trust Units are classified as a finance cost as the Trust Units are classified as a liability under IFRS.

6. Income tax expense:

	2011	2010
Current tax expense	\$ 14,979	\$ -
Deferred tax expense (recovery)	952	(307)
Total tax expense (recovery)	\$ 15,931	\$ (307)
Reconciliation of effective tax rate:		
Profit (loss) before income tax	\$ 58,924	\$ (45,317)
Statutory rate	26.50%	28.00%
Expected income tax expense (recovery)	15,615	(12,689)
Permanent differences	35	-
Difference between current and future tax rates	7	-
Other	274	-
Impact of Trust distributions	-	12,382
Actual income tax expense (recovery)	\$ 15,931	\$ (307)

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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7. Deferred tax assets and liabilities:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets:			
Non-pension defined benefits liability	\$ 11,238	\$ 9,945	\$ 7,382
Pension defined benefits liability	3,003	2,619	3,517
Foreign exchange contracts	20	-	-
Non-capital loss carryforwards	1,551	1,278	418
Total assets	15,812	13,842	11,317
Deferred tax liabilities:			
Foreign exchange contracts	-	(5)	-
Other	(949)	-	-
Property, plant and equipment	(8,903)	(9,050)	(8,585)
Total liabilities	(9,852)	(9,055)	(8,585)
Net deferred income tax assets	\$ 5,960	\$ 4,787	\$ 2,732

8. Share capital:

	Common shares	
	2011	2010
74,250,016 issued on January 1, 2011 and in exchange for Trust Units	\$ 1,335,015	\$ -

Effective January 1, 2011, the Fund was reorganized. As part of the reorganization, Unitholders received, for each Trust Unit held, one common share of the Corporation and one Note Receipt representing \$5.00 principal amount of Holdings Notes bearing interest at 10.5%. After the reorganization, there are 74,250,016 common shares of the Corporation recorded at fair value of \$1,335,015 as at January 1, 2011 and Note Receipts representing \$371,250,000 aggregate principal amount issued and outstanding. The carrying value of the trust units was reduced from \$744,241,000 to nil and the resulting difference of \$962,024,000 has been recorded as an increase to retained deficit.

The authorized share capital is unlimited and the shares have no par value.

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

The Corporation has declared the following dividends in 2011 (2010 - nil):

Record date	Payment date	Per share	Total
March 31	April 15	\$ 0.14	\$ 10,395
June 30	July 15	0.11	8,167
September 30	October 15	0.16	11,880
December 31	January 13	0.13	9,653
			\$ 40,095

WESTSHORE TERMINALS INVESTMENT CORPORATION

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9. Profit per share:

Basic earnings per share:

The calculation of basic profit per share for the year ended December 31, 2011 was based on profit attributable to shareholders of \$42,993,000 and a weighted average number of common shares outstanding of 74,250,016 common shares calculated as follows:

	December 31, 2011	December 31, 2010
Profit (loss) for the period	\$ 42,993	\$ (45,010)
Profit attributable to common shareholders	\$ 42,993	\$ (45,010)

Weighted average number of common shares/Trust Units:

	December 31, 2011	December 31, 2010
Trust Units prior to exchange on January 1, 2011	-	74,250,016
Issued in exchange of Trust Units on January 1, 2011	74,250,016	-
Weighted average number of common shares/Trust Units	74,250,016	74,250,016

10. Employee benefits:

	December 31, 2011	December 31, 2010	January 1, 2010
Present value of unfunded obligations	\$ 44,952	\$ 39,781	\$ 29,527
Present value of funded obligations	85,471	78,612	69,697
Impairment for minimum funding obligations	-	5,071	11,737
Total present value of obligations	130,423	123,464	110,961
Fair value of plan assets	(73,458)	(73,205)	(67,364)
Recognized liability for defined benefit obligations	\$ 56,965	\$ 50,259	\$ 43,597

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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10. Employee benefits (continued):

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

The Corporation had previously determined that its minimum funding requirements would give rise to contributions that cannot be refunded or utilized to reduce future contributions. Legislation changes in 2011 have reduced Westshore's minimum funding requirements for accounting purposes to a level where no future liability is required. The decrease in the defined benefit obligation was \$5,071,000 during the year ended December 31, 2011. The Corporation recognizes the changes in this impairment through other comprehensive income in accordance with its policy of recognizing actuarial gains and losses.

Plan assets comprise:

	December 31, 2011	December 31, 2010	January 1, 2010
Equity securities	\$ 46,051	\$ 49,999	\$ 46,010
Fixed income securities	25,776	22,108	20,209
Cash and cash equivalents	1,631	1,098	1,145
	\$ 73,458	\$ 73,205	\$ 67,364

Movements in defined benefit obligations:

Movement in the present value of the Defined benefit obligations	Pension obligations		Other post retirement benefits	
	2011	2010	2011	2010
Defined benefit obligations at January 1	\$ 83,683	\$ 81,434	\$ 39,781	\$ 29,527
Benefits paid by the plan	(4,386)	(4,083)	(1,303)	(1,236)
Current and past service costs and interest (see below)	5,999	5,286	3,264	3,013
Actuarial losses in other comprehensive income (see below)	5,246	7,712	3,210	8,477
Adjustment to impairment for future contributions in other comprehensive income (see below)	(5,071)	(6,666)	-	-
Defined benefit obligations at December 31	\$ 85,471	\$ 83,683	\$ 44,952	\$ 39,781

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

10. Employee benefits (continued):

Movements in plan assets:

Movement in plan asset value	Pension obligations		Other post retirement benefits	
	2011	2010	2011	2010
Fair value of plan assets at January 1	\$ 73,205	\$ 67,364	\$ -	\$ -
Contributions paid into the plan	4,623	2,721	1,303	1,236
Benefits paid by the plan	(4,386)	(4,083)	(1,303)	(1,236)
Expected return on plan assets	5,132	4,668	-	-
Actuarial gains (losses) in other comprehensive income (see below)	(5,116)	2,535	-	-
Fair value of plan assets at December 31	\$ 73,458	\$ 73,205	\$ -	\$ -

Components of pension expense:

Pension obligations expense recognized in profit or loss	Pension obligations		Other post retirement benefits	
	2011	2010	2011	2010
Current service costs	\$ 1,263	\$ 1,057	\$ 1,150	\$ 934
Past service costs	657	-	-	-
Interest on obligation	4,079	4,229	2,114	2,079
Expected return on plan assets	(5,132)	(4,668)	-	-
	\$ 867	\$ 618	\$ 3,264	\$ 3,013

The expense is recognized in operating expenses in the statement of comprehensive income.

	2011	2010
Actual return on plan assets	\$ 244	\$ 7,057

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

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, 2012
Retirement plan	January 1, 2010	January 1, 2013

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Years ended December 31, 2011 and 2010

10. Employee benefits (continued):

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

	2011		2010	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	%	%	%	%
Benefit obligations:				
Discount rate at December 31	4.75	4.75	5.25	5.25
Rate of increase in future compensation	3.00	-	3.00	-
Benefit costs:				
Discount rate at January 1	5.25	5.25	6.00	6.00
Rate of increase in future compensation	3.50	3.50	3.50	3.50
Expected long-term rate of return on plan assets	6.75	-	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%.

The impact of a 100 basis point difference in assumed changes in drug and other health benefit costs would have the following effects:

	1% decrease	1% increase
Effect on benefit costs	\$ (331)	\$ 419
Effect on benefit obligation	(3,847)	4,737

Actuarial gains and losses recognized in other comprehensive income:

	2011	2010
Cumulative amount at January 1	\$ (6,987)	\$ -
Recognized during the period	(8,502)	(6,987)
Cumulative amount at December 31	\$ (15,489)	\$ (6,987)

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11. Loans and borrowings:

This note provides information about the contractual terms of the Corporation's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Corporation's exposure to interest rate, foreign currency and liquidity risk, see note 17.

	December 31, 2011	December 31, 2010	January 1, 2010
<hr/>			
Non-current liabilities:			
Notes payable	\$ 371,250	\$ -	\$ -
Trust Units	-	744,241	744,241
	<hr/>	<hr/>	<hr/>
	\$ 371,250	\$ 744,241	\$ 744,241

Westshore has a \$10 million operating facility which remained undrawn at December 31, 2011. The term of this operating facility expires in August 2012.

Westshore has a \$50 million revolving credit facility to be utilized for capital expenditures and investments, which remained undrawn at December 31, 2011. The credit facility has a five-year term ending August 31, 2016.

At December 31, 2011, the Corporation has \$371,250,000 of Holdings Notes payable outstanding. The Holdings Notes mature on December 31, 2040 and will be payable in cash at that time. Holdings may at any time on or after January 1, 2013 redeem the notes in whole or in part, provided that, so long as the Holdings Notes and Common Shares are trading as units, a partial redemption must be ratable among all noteholders, so that following such redemption each unit comprises the same principal amount of the notes and one common share. The Holdings Notes bear interest at a rate of 10.5% per annum, to be paid to holders quarterly. Interest accrued to March 31, June 30, September 30, and December 31 of each year will be paid on the 15th of the month next following each interest accrual date.

Interest payments may be deferred by Holdings for up to one year, in which event failure to pay interest will not constitute an event of default for the deferral period. In the event of any such deferral, interest will continue to accrue on the notes but will not compound. During the period of any such deferral, no dividends or other distributions may be paid by Holdings on any class of shares.

The Corporation may elect to satisfy all or part of its obligation to pay interest on any interest payment date in form of a combination of common shares and additional notes.

Prior to the reorganization, the Fund's trust units are presented as a liability due to the Fund's requirement to distribute taxable income to the unitholders. The liability was measured at the original issue price of the Trust Units.

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12. Provisions:

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

	Train detention	Ship demurrage	Total
Balance at January 1, 2010	\$ 1,331	\$ 1,922	\$ 3,253
Provisions made during the period	1,321	7,014	8,335
Provisions used during the period	(1,331)	(5,299)	(6,630)
Balance at December 31, 2010	\$ 1,321	\$ 3,637	\$ 4,958
Balance at January 1, 2011	\$ 1,321	\$ 3,637	\$ 4,958
Provisions made during the period	863	1,310	2,173
Provisions used during the period	(650)	(1,956)	(2,606)
Provisions reversed during the period	(205)	(1,689)	(1,894)
Balance at December 31, 2011	\$ 1,329	\$ 1,302	\$ 2,631

Train Detention:

The railways that deliver coal to the terminal claim railcar 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 shares these charges and credits in respect of certain mines.

Ship Demurrage:

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 in 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.

13. Financial instruments:

The carrying amounts reported in the consolidated statement of financial position for short term financial assets and liabilities, which includes cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provisions, income tax payable and interest payable to noteholders and dividends payable to shareholders, approximate fair values due to the immediate short-term maturities of these financial instruments.

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Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

13. Financial instruments (continued):

The Corporation has \$371,250,000 of notes payable outstanding as at December 31, 2011. The Holdings Notes bear interest at a rate of 10.5% per annum, to be paid to holders quarterly. The Holdings Notes mature on December 31, 2040 and will be payable in cash at that time. The Corporation believes the carrying value of the notes payable approximates the fair value. Market interest rates as at December 31, 2011 are similar to those at the date of issue. The fair value of the notes payable may differ from the carrying value if interest rates increase or decrease in the future.

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 (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2011			

Financial assets (liabilities):

Derivative instruments:

Foreign exchange contracts	(79)	-	(79)	-
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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.

14. Operating leases:

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

The Corporation's terminal site is leased from the VFPA. The term of the lease is until December 31, 2026, with the Corporation having further options to extend the term to December 31, 2051. Charges payable by the Corporation under the Lease comprise an annual base land and waterlot rental fee of \$5,207,000 (2010 - \$5,207,000) and an annual participation rental based on the volume of coal shipped. A minimum participation rental of \$6,494,000 (2010 - \$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 2011, the Corporation paid \$8,547,000 (2010 - \$6,832,000) in relation to the higher participation rental.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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14. Operating leases (continued):

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

	Terminal lease	Other	Total
2012	\$ 11,701	\$ 267	\$ 11,968
2013	11,701	267	11,968
2014	11,701	-	11,701
2015	11,701	-	11,701
2016	11,701	-	11,701
Thereafter to 2026	117,218	-	117,218

15. Capital commitments:

The Corporation has a commitment of approximately \$4,403,000 (2010 - \$2,909,000) with respect to equipment purchases that have been accrued for at December 31, 2011 and that are to be paid in 2012. The Corporation also has total commitments of US\$38.6 million for equipment purchases to be delivered and paid for in 2012.

The Corporation has provided a letter of credit of \$4,080,000 (2010 - \$4,080,000).

16. Significant customer:

Teck Resources Limited holds a 100% interest in Teck Coal Partnership (the Coal Partnership). During the year ended December 31, 2011, approximately 55% (2010 - 66%) of Westshore's throughput was from mines owned by the Coal Partnership.

17. Financial risk management:

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

(a) Credit risk:

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

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(a) Credit risk (continued):

The Corporation's exposure to credit risk is influenced by the profitability of coal mining companies, which is heavily impacted by the price of the coal. Westshore does not have any collateral or security for its receivables. Westshore monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2011 and 2010, there were no trade accounts receivable past due which were considered uncollectible and no reserve in respect of doubtful accounts was recorded.

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

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

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	\$ 65,587	\$ 62,900	\$ 81,486
Accounts receivable	21,780	22,654	19,512
Other assets – foreign currency contracts	-	18	2,517
	\$ 87,367	\$ 85,572	\$ 103,515

(b) Liquidity risk:

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

The current financial liabilities of the Corporation, which include accounts payable and accrued liabilities, income tax payable, interest payable to debtholders and dividends payable to shareholders, have a contractual maturity of less than 1 year. The Corporation's foreign exchange contracts have maturities ranging from one month to three months as at December 31, 2011.

The Holdings Notes have a maturity date of December 2040 and no principal repayments are required until that time. They have quarterly interest payment requirements of \$9,745,000, which can be deferred for up to one year. The Corporation anticipates making these interest payments from cash flows provided by operations each quarter.

Westshore also maintains a \$10 million operating facility that can be drawn down to meet short term financing needs. This facility was not used during the year ended and remained undrawn at December 31, 2011, although Westshore has an outstanding letter of credit for \$4.1 million.

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Notes to the Consolidated Financial Statements

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(b) Liquidity risk (continued):

Westshore secured a new five-year \$50 million credit facility during 2011 that will be used to finance its previously announced capital upgrade project. The facility was not used during the year and remained undrawn at December 31, 2011.

(c) Market risk:

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

(i) Foreign currency exchange rates:

The Corporation holds some cash denominated in foreign currencies and the Canadian-dollar value of these cash balances fluctuates with changes in the exchange rate. As at December 31, 2011, the Corporation held US\$10.9 million (2010 – US\$5.0 million). A \$0.01 increase in the US/Canadian exchange rate would have increased the Canadian dollar value of this cash balance and increased foreign exchange gains by \$109,000 for the year.

The accounts receivable due from US customers are denominated in US dollars. The US dollar denominated accounts receivable outstanding as at December 31, 2011 was \$4,815,000 (2010 - \$4,346,000).

The fair value of the Corporation's outstanding foreign currency contracts at December 31, 2011 is a liability of \$79,000 (2010 – asset of \$18,000). The fair market value of the Corporation's foreign currency contracts has decreased by \$97,000 in 2011. The Corporation is exposed to foreign currency exchange rate risk on its foreign currency contracts. The value of these financial instruments fluctuates with changes in the US/CAD dollar exchange rate. As at December 31, 2011, the Corporation has put options with notional amounts totaling \$8.0 million to exchange US dollars for Canadian dollars with a strike price of \$1.037. The counterparty has call options with notional amounts totaling \$8.0 million to exchange US dollars for Canadian dollars with a strike price from \$0.955. A \$0.01 increase in the US/Canadian exchange rate at December 30, 2011 would have reduced the value of the US dollar foreign exchange contracts by approximately \$79,000, which would have resulted in a reduction in pre-tax profit by \$79,000 for the year then ended. From January 1, 2011 to December 31, 2011, the US dollar has strengthened by approximately 2% against the Canadian dollar.

(ii) Interest rates:

The Corporation has limited exposure to interest rate risk on the cash equivalents. Money market fund returns are correlated with Canadian T-bills and Bankers' Acceptances of major Canadian financial institutions. Based on the cash balance at December 31, 2011, a 1% change in interest rates would have impacted profit for the year by approximately \$656,000.

The Holding Notes bear a fixed interest rate of 10.5%.

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18. Capital management:

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

The objective of the Corporation is to maintain a stable capital base and ensure that the capital structure does not interfere with the Corporation's ability to meet its distribution policy or fund future projects. The Corporation expects to declare and pay dividends to holders of its Common Shares equal to amounts received from Holdings after payment of operating costs. 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. In 2011, the Corporation expects that its quarterly dividends to shareholders will be funded by earnings and operating cash flows.

19. Related party transactions:

	2011	2010
Administration agreement: Westar Management Ltd.	\$ 250	\$ 250
Management agreement: Westar Management Ltd. – base fee	750	750
Management agreement: Westar Management Ltd. – incentive fee	1,857	16,900
Vehicle leases: Affiliate of Westar Management Ltd.	393	313
Directors and Key Management Personnel: Directors and Key Management Personnel fees	280	248

20. Explanation of transition to IFRSs:

As stated in note 2, these are the Corporation's first annual consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position as at January 1, 2010 (the Corporation's date of transition).

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian generally accepted accounting principles. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Corporation's financial position, comprehensive income, and cash flows is set out in the following tables and notes that accompany the tables.

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20. Explanation of transition to IFRSs (continued):

Reconciliation of equity:

	Notes	Previous GAAP	Effect of transition to IFRSs	IFRSs
			January 1, 2010	
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 81,486	\$ -	\$ 81,486
Accounts receivable		19,512	-	19,512
Inventories		6,284	-	6,284
Prepaid expenses		684	-	684
Other assets		2,517	-	2,517
		110,483	-	110,483
Plant and equipment				
At cost		513,588	-	513,588
Accumulated depreciation		(405,017)	-	(405,017)
		108,571	-	108,571
Employee future benefits	(b)	24,168	(24,168)	-
Goodwill		365,541	-	365,541
Future income taxes	(f)	-	2,732	2,732
		\$ 608,763	\$ (21,436)	\$ 587,327
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	(c)	\$ 16,348	\$ (3,253)	\$ 13,095
Provisions	(c)	-	3,253	3,253
Accrued interest payable	(d)	-	29,700	29,700
Distributions payable to unitholders	(d)	29,700	(29,700)	-
		46,048	-	46,048
Employee future benefits	(b)	22,118	21,479	43,597
Future income tax	(f)	8,680	(8,680)	-
Trust Units	(d)	-	744,241	744,241
		76,846	757,040	833,886
Unitholders' / Shareholders' equity:				
Trust Units	(d)	704,032	(704,032)	-
Retained earnings	(g)	-	(246,559)	(246,559)
Cumulative earnings	(d)	726,380	(726,380)	-
Cumulative distributions / dividends declared	(d)	(898,495)	898,495	-
		531,917	(778,476)	(246,559)
		\$ 608,763	\$ (21,436)	\$ 587,327

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20. Explanation of transition to IFRSs (continued):

Reconciliation of equity (continued):

	Notes	Previous GAAP	Effect of transition to IFRSs	IFRSs
			December 31, 2010	
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 62,900	\$ -	\$ 62,900
Accounts receivable		22,654	-	22,654
Inventories		6,918	-	6,918
Prepaid expenses		654	-	654
Other assets		18	-	18
		93,144	-	93,144
Plant and equipment				
At cost		522,997	-	522,997
Accumulated depreciation		(425,916)	(900)	(426,816)
		97,081	(900)	96,181
Employee future benefits	(b)	23,420	(23,420)	-
Goodwill		365,541	-	365,541
Future income taxes	(f)	-	4,787	4,787
		\$ 579,186	\$ (19,533)	\$ 559,653
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	(c)	\$ 25,951	(4,958)	\$ 20,993
Provisions	(c)	-	4,958	4,958
Accrued interest payable	(d)	-	36,011	36,011
Distributions payable to unitholders	(d)	36,011	(36,011)	-
		61,962	-	61,962
Employee future benefits	(b)	24,923	25,336	50,259
Future income tax	(f)	7,608	(7,608)	-
Trust Units	(d)	-	744,241	744,241
		94,493	761,969	856,462
Unitholders' / Shareholders' equity:				
Trust Units	(d)	704,032	(704,032)	-
Retained earnings (deficit)	(g)	-	(296,809)	(296,809)
Cumulative earnings	(d)	810,950	(810,950)	-
Cumulative distributions / dividends declared	(d)	(1,030,289)	1,030,289	-
		484,693	(781,502)	(296,809)
		\$ 579,186	\$ (19,533)	\$ 559,653

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20. Explanation of transition to IFRSs (continued):

Reconciliation of comprehensive income for year ended December 31, 2010:

	Notes	Previous GAAP	Effect of transition to IFRSs		IFRSs
			December 31, 2010		
Revenue:					
Coal loading		\$ 218,644	\$ -	\$ 218,644	
Other		4,892	-	4,892	
		223,536	-	223,536	
Expenses:					
Operating	(b), (e)	94,097	18,052	112,149	
Administrative		25,499	-	25,499	
		119,596	18,052	137,648	
Other:					
Interest		432	(432)	-	
Depreciation	(e)	(21,031)	21,031	-	
Foreign exchange gain		157	-	157	
Profit from operating activities		83,498	2,547	86,045	
Interest income		-	432	432	
Interest expense	(d)	-	(131,794)	(131,794)	
Net finance costs		-	(131,362)	(131,362)	
Profit before income tax		83,498	(128,815)	(45,317)	
Income tax expense		(1,072)	765	(307)	
Profit for the period		84,570	(129,580)	(45,010)	
Other comprehensive income (loss):					
Defined benefit plan					
actuarial gains (losses)	(b)	-	(6,987)	(6,987)	
Income tax on other comprehensive income (loss)	(b)	-	1,747	1,747	
Other comprehensive income (loss) for the period, net of income tax		-	(5,240)	(5,240)	
Total comprehensive income for the period		\$ 84,570	\$ (134,820)	\$ (50,250)	

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20. Explanation of transition to IFRSs (continued):

(a) Principal exemptions elected on transition to IFRS:

IFRS 1 sets out the requirements that the Corporation must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Corporation is required to establish its IFRS accounting policies for the year ended December 31, 2011, and apply these retrospectively to determine the IFRS opening consolidated statement of financial position at the date of transition of January 1, 2010. To assist companies in the transition process, the standard permits a number of specified exemptions from the general principle of retrospective restatement. The Corporation has elected a number of specified exemptions from the general principal of retrospective application as follows:

(i) Business combinations:

The Corporation has elected to apply IFRS 3, *Business Combinations* ("IFRS 3"), retrospectively to all business combinations that took place on or after the date of transition, January 1, 2010. Under previous Canadian GAAP, the Corporation had elected to early adopt The Canadian Institute of Chartered Accountants' Handbook Section 1582, *Business Combinations*, effective January 1, 2010, the requirements of which are converged with IFRS; consequently there is no impact to the opening statement of financial position or the results for the year ended December 31, 2010 upon transition. As a condition under IFRS 1 of applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

(ii) Leases:

The Corporation has elected to apply the transitional provisions in International Financial Reporting Interpretations Committee ("IFRIC") 4, *Determining whether an Arrangement contains a Lease*, thereby determining whether the Corporation has any arrangements that exist at the date of transition to IFRS that contain a lease on the basis of facts and circumstances existing at January 1, 2010. No adjustment was required to the opening consolidated statement of financial position.

(iii) Changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant, and equipment:

The Corporation has elected to apply the exemption to full retrospective application of IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. This election allows the Corporation to measure the impact of any changes to its decommissioning and restoration liabilities using estimates applicable at the date of transition to IFRS. Consequently, no adjustment was required to the opening consolidated statements of financial position as a result of applying this election and IFRIC 1.

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20. Explanation of transition to IFRSs (continued):

(a) Principal exemptions elected on transition to IFRS (continued):

(iv) Borrowing costs:

The Corporation has elected to apply the transitional provisions of IAS 23, *Borrowing Costs* ("IAS 23"), prospectively from the date of transition.

(b) Under IFRSs the Corporation's accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income. Under its previous GAAP the Corporation recognized actuarial gains and losses in profit and loss over the employees' remaining service period. At the date of transition, all previously unrecognized cumulative actuarial gains and losses were recognized in retained earnings and the amortization of such amounts was reversed in the previous year's statement of profit or loss.

The impact arising from the change is summarized as follows:

	January 1, 2010	December 31, 2010
Actuarial gain and losses		
For the period ended:		
Consolidated profit or loss:		
Decrease in operating expenses, before income taxes	\$ -	\$ (3,879)
Other comprehensive income:		
Defined benefit plan actuarial losses	\$ -	\$ (6,987)
Related tax effect	-	1,747
Other comprehensive loss, net of tax	\$ -	\$ (5,240)
As at period end:		
Consolidated statement of financial position:		
Decrease in employee future benefits asset	\$ (24,168)	\$ (23,420)
Increase in employee future benefits liability	(21,479)	(25,336)
Related tax effect	11,412	12,183
Decrease to retained earnings	\$ (34,235)	\$ (36,573)

(c) Under IFRSs, the Corporation's accounting policy is to record provisions separate from accounts payable. At the date of transition, all previously recognized provisions in accounts payable and accrued liabilities were reclassified to provisions. The provisions relate to certain provisions, including the Corporation's portion of ship demurrage and train detention costs, which are often not finally determined until well after the period end.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

(c) (continued):

The impact arising from the change is summarized as follows:

	January 1, 2010	December 31, 2010
Provisions		
Consolidated statement of financial position:		
Decrease in accounts payable and accrued liabilities	\$ 3,253	\$ 4,958
Increase in provisions	(3,253)	(4,958)
Adjustment to retained earnings	\$ -	\$ -

(d) Previously under Canadian GAAP, the Trust Units were classified as equity instruments. In accordance with IAS 32, *Financial Instruments: Presentation*, the Fund Units are classified as a long-term liability as the Units are considered puttable financial instruments as the holder has the option to redeem the Units for amounts related to market prices at the time of the redemption and the Units impose an obligation requiring delivery of income to the unitholders. Certain exceptions provided in IAS 32 allow some puttable instruments to be classified as equity under IFRS, however these conditions are much more restrictive than previous Canadian GAAP. The Fund does not meet the exceptions in IAS 32 for equity presentation, as the Fund has a contractual obligation to distribute its taxable income to unitholders on an annual basis.

The Fund has made the following two accounting policy elections with respect to these units:

- (i) it has not separated the income distribution stream as an embedded derivative as it is considered to be dependent on a non-financial variable specific to a party to the contract; and
- (ii) it has elected to treat the distribution stream based on income as a floating rate financial instrument.

As a result, the Fund has recorded the liability at the cash amount originally exchanged for the Units, being \$744.2 million. The effect of classification of the Fund Units as a long-term liability is to reduce Unitholders' equity and increase long-term liabilities by \$744.2 million at January 1, 2010 and December 31, 2010 as compared to amounts reported under previous Canadian GAAP. The Fund has transferred \$40.2 million of related unit issuance costs previously netted against the Unitholders' equity balance to deficit as a financing cost expensed prior to the IFRS adoption date.

Consistent with the classification of the Fund units as a liability, distributions paid to Unitholder's are considered a financing cost in the statement of comprehensive income.

As the Fund units are treated as a floating rate liability, any changes in the distributions based on changes to income levels are expensed in the period in which they occur.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

20. Explanation of transition to IFRSs (continued):

(d) (continued):

The impact arising from the change is summarized as follows:

	January 1, 2010	December 31, 2010
Trust units		
For the period ended:		
Consolidated statement of comprehensive income:		
Increase in financing expenses	\$ -	\$ (131,794)
As at period end:		
Consolidated statement of financial position:		
Increase in Trust Units	\$ (744,241)	\$ (744,241)
Decrease in capital contributions	704,032	704,032
Adjustment to retained earnings	\$ 40,209	\$ 40,209

(e) Under IFRS, depreciation must start once the asset is available for use. This is different from the Corporation's previous accounting policy of starting depreciation at a later date. Depreciation has also been reclassified in the statement of comprehensive income as the Corporation presents its operating expenses by function.

The impact arising from the change is summarized as follows:

	January 1, 2010	December 31, 2010
Property, plant and equipment		
For the period ended:		
Consolidated statement of comprehensive income:		
Increase in operating expenses	\$ -	\$ (21,931)
Decrease in depreciation expense	-	21,031
Adjustment before income tax	\$ -	\$ (900)
As at period end:		
Consolidated statement of financial position:		
Decrease in plant and equipment	\$ -	\$ (900)
Related tax effect	\$ -	\$ 212
Adjustment to retained earnings	\$ -	\$ (688)

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2011 and 2010

20. Explanation of transition to IFRSs (continued):

(f) The above changes increased the deferred tax assets as follows:

	January 1, 2010	December 31, 2010
Deferred tax		
Employee future benefits	\$ 11,412	\$ 12,183
Property, plant and equipment	-	212
Increase in deferred tax assets	\$ 11,412	\$ 12,395

(g) The above changes decreased retained earnings (each net of related tax) as follows:

	January 1, 2010	December 31, 2010
Changes in retained earnings		
Employee future benefits	\$ (34,235)	\$ (36,573)
Trust Units	(40,209)	(40,209)
Increase in depreciation expense	-	(688)
Decrease in retained earnings	\$ (74,444)	\$ (77,470)

21. Subsequent event:

The board of directors of the Corporation have approved a capital restructuring that will involve an exchange of the Note Receipt component of the current trading unit for additional common shares of the Corporation, which will then be consolidated. The result will be that instead of the currently outstanding 74,250,016 units, the Corporation will have outstanding 74,250,016 common shares without any debt component held by the public securityholder.

These proposed changes will require approval by the securityholders and will be presented at the June 2012 Annual General Meeting.



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***Gordon Gibson***Director***Michael J. Korenberg***Director***Doug Souter***Director***Nick Desmarais***Director & Secretary***Denis Horgan***Vice-President & General Manager*