



**WESTSHORE TERMINALS
INVESTMENT CORPORATION**

ANNUAL REPORT

2012

Westshore Terminals Investment Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership, a partnership established under the laws of British Columbia (“Westshore”). It derives its cash inflows from its investment in Westshore by way of distributions on its limited partnership units. Westshore operates 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 / Note Receipt amounts and tonnage)

	2012	2011
Tonnage (in thousands)	26,094	27,306
Revenue		
Coal	\$ 232,442	\$ 205,627
Other	\$ 8,253	\$ 7,210
	\$ 240,695	\$ 212,837
EBITDA	\$ 116,801	\$ 107,910
Interest paid and accrued on Holdings Notes	\$ 19,491	\$ 38,981
Interest paid and accrued per Note Receipt	\$ 0.263	\$ 0.525
Dividends declared	\$ 71,651	\$ 40,095
Dividends declared per share	\$ 0.965	\$ 0.540
Shares/Units outstanding at December 31	74,250,016	74,250,016
Share Trading Statistics		
High	\$ 30.15	\$ 25.85
Low	\$ 22.90	\$ 20.00
Close	\$ 27.55	\$ 22.88
Annual Volume	22,920,000	32,197,000



Westshore Terminals Investment Corporation

Directors' Letter and Report to Shareholders

Dear Shareholder:

Over the last five years, Westshore has seen significant changes to its operations and enjoyed strong growth. Over that time, Westshore has invested approximately \$110 million in the terminal operations to upgrade and replace equipment and add a fourth stacker reclaimer. The result of these efforts is that Westshore's estimated capacity going forward has increased to 33 million tonnes. With customer agreements currently in place, which have been secured over the last two years, most of that capacity is committed through to 2021.

During 2012, Westshore completed the change out of the single dumper for a new double dumper and the replacement of a number of transfer chutes. Despite several weeks of shutdown time to implement these upgrades, Westshore was on track to handle over 27 million tonnes of coal – approximately the same level as the 27.3 million tonnes handled in 2011. On December 7, 2012 the Cape Apricot, a large cape size coal vessel, ran through the trestle at Berth 1 rendering it unusable. As a result total volumes for 2012 were negatively impacted and totalled 26.1 million tonnes. Repairs to the trestle were completed to a point sufficient to bring Berth 1 back into operations in early-February, with final repairs to the road-way on the trestle anticipated to be completed by the end of April. Efforts to recover insured losses from both Westshore's insurers and the ship's owners and insurers are ongoing.

For 2013, even with Berth 1 out of commission until early February, throughput levels are anticipated to be higher than in 2011 and 2012. The average loading rate is expected to be slightly higher than in 2012.

In order to maintain expected higher throughput levels for the long term, additional reinvestment in the terminal is required to replace the three stacker reclaimers that are 30-40 years old. The alternative would be to spend significantly more money on annual maintenance capital to sustain current throughput levels, but by doing so, Westshore would continue to have old equipment that would inevitably need to be replaced. Westshore has been in business for some 42 years and believes replacing the older equipment is the best plan for operating the terminal for the decades to come. As a result, over the next four years, Westshore plans on spending a further \$210 million to replace these three stacker reclaimers and associated equipment together with consolidating the original outdated offices. While modest incremental increased volumes may be possible as a result (due to increased efficiencies, optimized coal storage and less maintenance downtime), it is not expected to be material and would in any event be dependent on the other parties along the coal chain performing consistently and efficiently over the whole of each year so as to maximize the use of available capacity.

Effective July 1, 2012, the Corporation completed a capital restructuring which eliminated the \$371 million principal amount of the 10.5% notes issued by Westshore Terminals Holdings Ltd. This resulted in the Corporation having 74,250,016 common shares outstanding without any debt component held by the public securityholders.

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

For the Board of Directors,

William W. Stinson

Chairman of the Board of Directors

Vancouver, B.C.

March 19, 2013



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, 2012. 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 19, 2013.

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 risk factors 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 loading rates, 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, 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 risk factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. See the risk factors outlined in the annual information form referred to above.



Westshore Terminals Investment Corporation

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General

The Corporation was incorporated on September 28, 2010. The registered and head office of the Corporation is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7. The Corporation is a continuation of Westshore Terminals Income Fund which converted to a corporation effective January 1, 2011. The financial statements include assets and liabilities transferred to the Corporation at their respective carrying values on January 1, 2011. The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership (“Westshore”), a partnership established under the laws of British Columbia.

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

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. Prior to 2010, 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 over the last two years provide customer volume commitments, much of which are at fixed rates, for over 80% of the Terminals’ estimated current capacity through to 2021. Shipments under those contracts are expected to provide a stable base for revenues over the next several years, with the possibility of increased revenues from higher than committed shipments and increased rates under contracts governing over 30% of annual throughput that provide a limited element of price participation.

This MD&A has been prepared by the Corporation to accompany the financial results of the Corporation for the financial year ended December 31, 2012.



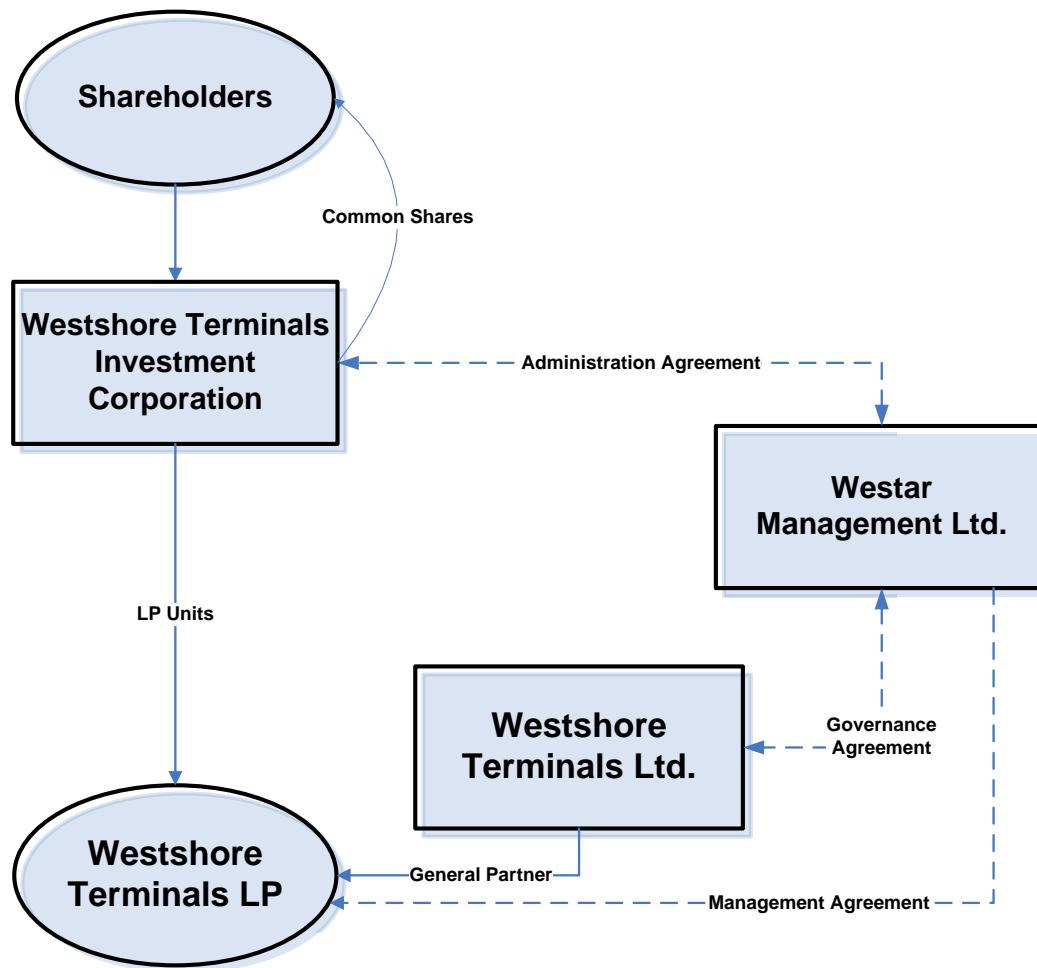
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Structure

The following chart illustrates the Corporation's primary structural and contractual relationships. The Corporation holds all of the limited partnership units of Westshore. 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 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 2013 Annual 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, 2012 and 2011, which were prepared in Canadian dollars using IFRS.

<i>(In thousands of Canadian dollars except per share/Note Receipt/Trust Unit amounts)</i>	2012	2011	2010
Revenue	\$240,695	\$ 212,837	\$ 223,526
Profit (loss) before taxes	87,715	58,924	(45,318)
Profit (loss) for the period	65,939	42,993	(45,010)
Net Earnings per share / Trust Unit ⁽¹⁾	0.89	0.58	(0.61)
Interest paid and accrued on Holdings Notes	19,491	38,981	
Interest paid and accrued per Note Receipt	0.263	0.525	
Dividends declared	71,651	40,095	
Dividends declared per share	0.965	0.540	
Cash Distributions declared	-	-	131,794
Cash Distributions per Trust Unit	-	-	1.771
Total Assets	588,397	569,091	559,652
Total Long Term Liabilities	89,780	428,215	794,500

- (1) The number of Common Shares outstanding for 2012 and 2011 was 74,250,016. In 2010 the Corporations predecessor, Westshore Terminals Income Fund had 74,250,016 Trust Units outstanding. IFRS requires Trust Unit distributions in 2010 to be presented as a finance cost which affects profit or loss for the period.
- (2) Prior to July 1, 2012 the Corporation's subsidiary Westshore Terminals Holdings Ltd. had outstanding Notes (the "Holdings Notes") that were represented by Note Receipts that traded with the Corporation's common shares.

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

<i>(In thousands of Canadian dollars except per share and Note Receipt amounts)</i>	Three Months Ended			
	Dec 31, 2012	Sept 30, 2012	Jun 30, 2012	Mar 31, 2012
Revenue	55,346	71,211	65,581	48,557
Profit before income taxes	23,404	37,652	21,109	5,549
Profit for the period	17,527	28,239	16,011	4,162
Profit for the period per share	0.24	0.38	0.22	0.06
Interest paid/accrued on Holdings Notes	-	-	9,746	9,745
Interest paid/accrued per Note Receipt	-	-	0.131	0.131
Dividends declared	20,419	24,502	14,108	12,623
Dividends declared per share	0.27	0.33	0.19	0.17



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<i>(In thousands of Canadian dollars except per share and Note Receipt amounts)</i>	Three Months Ended			
	Dec 31, 2011	Sept 30, 2011	Jun 30, 2011	Mar 31, 2011
	\$	\$	\$	\$
Revenue	55,447	55,639	51,675	50,076
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	0.13	0.16	0.11	0.14

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 57% of Westshore's throughput by volume in 2012 (2011 – 55%).

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>			
		2012		2011	
		Tonnes	%	Tonnes	%
Asia		20,709	79	20,226	75
Europe		2,372	9	3,684	13
S. America		2,474	9	2,810	10
Other		539	2	586	2
Total		26,094	100	27,306	100

During 2012, 61% of Westshore's volume was metallurgical coal (58% in 2011), 38% was thermal coal (41% in 2011) and 1% was petroleum coke.



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The significant growth from 2009 to 2012 in the throughput destined for Asia from 16.3 to 20.7 million tonnes was as a result of significant increases in shipments to Korea where the increase was principally in shipments of thermal coal. Increased shipments of thermal coal were 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 and 2012.

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 in the latter part of 2010 and 2011 by reason of improved worldwide economic activity, but have since declined.

Pricing of coal is crucial to the results of Westshore's customers who must obtain adequate prices to sustain their operations. Westshore has limited direct exposure to rates that vary with coal prices.

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 current contract to handle coal from Teck's mines has a nine year term from April 1, 2012 to March 31, 2021. Under this contract, Teck has committed to ship not less than 16 million tonnes per contract year increasing to 19 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 covers thermal coal from the Coal Valley mine and the Obed mine. It was set to expire in 2017, but during the year it was extended to 2022. During 2012, Coal Valley shipped 2.2 million tonnes of thermal coal through the Terminal compared to 2.7 million tonnes in 2011. The pricing mechanism under this contract is based on fixed rates with escalation.

Westshore's contract with Grande Cache Coal Corporation ("Grande Cache") for handling coal produced from its operations in Alberta runs to March 31, 2022. Westshore loaded 1.1 million tonnes under this contract in 2012, compared to 1.2 million tonnes in 2011. The contract with Grande Cache provides for shipments through Westshore exclusively.

Westshore has entered into contracts with U.S. thermal coal producers for the 10-year period from 2013 to 2022. Contracts with these producers provide for a variable rate based on the U.S. dollar price received for the product, subject to a floor price. These producers accounted for approximately 25% of Westshore's throughput in 2012.

Labour

Labour agreements with all three locals of the International Longshore and Warehouse Union (the longshoremen, foreman and the clerical workers) are in place and expire on January 31, 2016.



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Facilities

Commencing in 2007, Westshore has undertaken two significant equipment upgrades at an aggregate cost of approximately \$110 million. Prior to those improvements the Terminal's functional throughput capacity was assessed at somewhat less than 24 million tonnes per annum.

The first program, completed in 2010, involved the addition of a fourth stacker/reclaimer and associated conveyor system, and conversion of the second barrel of the tandem rotary dumper to accommodate shorter aluminum rail cars, the use of which has become the industry norm. All four stacker/reclaimers were automated and other systems were updated. This program increased the Terminal's capacity, allowing it to handle a record 27.3 million tonnes in 2011.

Despite this program Westshore was unable to make commitments to its existing customers for all the levels of service they were requesting. Accordingly, Westshore undertook a further capital upgrade consisting of replacing the existing single dumper with a double dumper and addition of related equipment, at a cost of \$45 million. This project was completed late in 2012 and was substantially financed with bank debt. In addition, a significant maintenance program was completed in 2012 to replace chutes in four transfer towers at a cost of \$12 million to improve the flow of product. It is now estimated that the terminal throughput capacity is approximately 33 million tonnes, under normal operating conditions. The interruption of operations at Berth 1 has prevented normal operations since completion of the 2012 program so that there has not yet been an opportunity to fully assess the enhanced operating capacity.

In February 2013, Westshore approved a further \$210 million capital expenditure program to replace the three oldest stacker-reclaimers with new equipment. By acquiring three new stacker-reclaimers, Westshore will be able to significantly enhance its operational efficiencies in several respects, including by standardizing spare parts, repairs and maintenance, and by reducing overall maintenance downtime and costs involved in maintaining older equipment. The project will also involve replacing the 42 year old outdated and inefficient administration, operations and maintenance offices, shops and warehouses with one consolidated complex, together with storage optimization. The project is expected to be completed in stages over the course of 4-5 years.

No additional equipment is being added to the site, nor is the site footprint being increased. Any additional throughput capacity would only result from the improved productivity of the new equipment, operating efficiencies, and reduced maintenance downtime, and would only be realized if other participants in the coal chain can also improve efficiencies. Currently, it is estimated that 2-3 million tonnes per year might be possible, but in any event not before 2017. The expenditures also include approximately \$7 million for new, state of the art dust suppression systems and related environmental control equipment which will be completed in 2013.

Results of Operations

Westshore loaded 26.1 million tonnes during 2012 as compared to 27.3 million tonnes during 2011. Fourth quarter 2012 shipments and revenues were negatively impacted by the loss of use of Berth 1 following the damage to the trestle at Berth 1, as a result of which Westshore lost approximately 1.2 million tonnes of shipments in December 2012. Coal loading revenue increased by 13% to \$232.4 million in 2012 compared with \$205.6 million in 2011. The increase was due to a higher average rate. In the fourth quarter of 2012, Westshore's coal loading revenue was \$53.8 million as compared to \$52.1 million in the fourth quarter of 2011, on shipments of 5.6 million tonnes in the fourth quarter of 2012, as compared to 7.0 million tonnes in the fourth quarter of 2011.



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Operating expenses increased by 15% from \$105.8 million in 2011 to \$121.6 million in 2012. Westshore took advantage of the two significant periods of downtime associated with the 2012 upgrade project to perform extensive maintenance on an accelerated basis which would otherwise have been done over succeeding years. In addition, the upgrade projects themselves and the Berth 1 disruption in December caused additional operating costs of a non-recurring nature. These primarily non-recurring expenses were the principal causes of the increase in operating expenses in 2012.

Administration costs increased slightly from \$9.7 million in 2011 to \$10.0 million in 2012. The incentive fee payable to the Manager, was slightly higher than in 2011. The incentive fee is determined under the management agreement between Westshore and the Manager (the "Management Agreement") pursuant to a pre-set formula.

Net finance costs for 2012 were \$19.3 million compared to \$38.8 million in 2011. The interest expense in 2012 represents interest accrued on the Holdings Notes for six months of the year, whereas the expense in 2011 represented the interest expense for the entire year. The Holdings Notes were exchanged for additional common shares of the Company on July 1, 2012 (which were then immediately reconsolidated).

Foreign exchange (realized and unrealized) decreased from a \$0.5 million gain in 2011 to a loss of \$0.4 million in 2012. Westshore previously engaged in more hedging activity due to its greater exposure to foreign exchange fluctuations under prior contract pricing mechanisms. No forward contracts were executed in 2012 as variable-rate revenues that were impacted by the Canadian/U.S. dollar exchange rate were lower. In addition, the exchange rate movement in 2012 was less significant than in 2011 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 \$15.9 million in 2011 to \$21.8 million in 2012 which is consistent with the increase in profit.

Other comprehensive loss decreased from \$6.4 million in 2011 to \$4.2 million in 2012. Other comprehensive 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. This was mitigated in 2012 by an increase in pension plan asset values which helped to reduce the valuation loss on the retirement obligations.

Earnings before depreciation, interest, unrealized foreign exchange and income taxes were higher in 2012, at \$116.8 million as compared to \$107.9 million in 2011. Earnings before depreciation, income, unrealized foreign exchange and income taxes for the fourth quarter of 2012 were \$26.0 million, compared to \$30.1 million for the fourth quarter of 2011.

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 from \$113.3 million in 2011 to \$100.1 million in 2012. Cash flows before changes in working capital were impacted in 2012 by higher average loading rates offset by reduced throughput and larger income tax expenses. No tax instalments were paid in 2011, so that in 2012 the full 2011 current tax expense of \$15.0 million was paid along with regular instalments for the 2012 fiscal year.



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Working capital provided a source of cash in 2012 as accounts receivable balances and accounts payable balances were low and high respectively at the end of the year. Receivables have been collected in a timely manner and payables were higher due to timing of payments. The accounts payable balance returned to a more normal level subsequent to year-end.

Cash flow used in investing activities increased from \$15.0 million in 2011 to \$61.9 million in 2012 as Westshore incurred higher capital expenditures compared to the prior year. This increase was driven primarily by spending on the project to install the new double dumper and the chute upgrade project.

Net cash used in financing activities decreased from \$95.6 million in 2011 to \$59.9 million in 2012 primarily due to Westshore drawing on its revolving credit facility to finance the capital upgrade projects. The Corporation also distributed \$5.6 million more to securityholders than in 2011.

Liquidity and Capital Resources

It is not anticipated that the Corporation will require significant capital resources to maintain its 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. As explained under "Facilities", rather than continuing to incur increasing costs of this nature on an ongoing basis, the Corporation has determined to undertake replacement of the three older stacker-reclaimers. These projects will be financed through a combination of retention of cash flow and borrowings which are expected to be in the \$80 - \$100 million range.

Meeting annual capital requirements, along with managing variations in working capital, are well within Westshore's financial capacity based solely on revenues less expenses, without any need for financing except for material capital improvements. As a result, the Corporation does not anticipate any liquidity concerns with the ongoing operations of Westshore.

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 2012 or 2011 and remained undrawn at December 31, 2012, although Westshore has an outstanding letter of credit for \$4.1 million. Westshore financed \$30 million of the \$45 million cost of the 2012 dumper upgrade by way of a \$50 million revolving bank debt facility that matures on August 31, 2016. \$30 million was drawn on this facility at December 31, 2012, with no additional amounts anticipated to be drawn. The facility does not require principal repayments prior to maturity. As noted above, additional borrowing will be required to finance the further projects announced on February 14, 2013. Given the low debt level within the Corporation, it anticipates no difficulty in securing such borrowing.

Westshore has post-retirement benefit obligations under its pension plans and other post-retirement benefit plans which it is required to fund each year. Westshore's funding requirements were \$7.2 million in 2012, which comprised \$5.8 million for contributions to the pension plans and \$1.4 million for payments for other post-retirement benefits. Westshore anticipates that its funding requirements in 2013 will be higher than in 2012 primarily due to negotiated plan improvements effective February 1, 2013. Westshore does not anticipate any problems satisfying its 2013 funding obligations out of current cash flows. The balance sheet reflects a \$59.8 million obligation for post-retirement benefits and other post retirement benefit plans which has increased by \$2.8 million from the prior year. This balance would be expected to decline in future if interest rates increase.



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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 \$
2013	11,701	290	11,991
2014	11,701	290	11,991
2015	11,701	-	11,701
2016	11,701	-	11,701
2017	11,701	-	11,701
Thereafter to 2026	105,308	-	105,308

Westshore has a commitment of US\$2.5 million as of December 31, 2012 with respect to equipment purchases that are to be delivered and paid for in 2013.

Distributions

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

<i>(in thousands of Canadian dollars except per share and Note Receipt amounts)</i>	2012 \$	2011 \$
Total Dividends on Common Shares	71,651	40,095
Total Dividends per Common Share	0.96	0.54
Total Interest on Holdings Notes	19,491	38,981
Total Interest per Note Receipt	0.263	0.525

In view of the decision announced in February 2013 to reinvest approximately \$210 million over the next four years in projects consisting principally of replacement of the three older stacker-reclaimers and office redevelopment at the Terminal site, the directors concurrently determined to initiate a capital projects fund to enable the Corporation to lessen the amount of additional bank debt financing that would otherwise be required to pay for the projects. The Corporation will therefore be holding back some funds, commencing with the Q2 2013 dividend, by setting a dividend rate of \$0.33 per share per quarter. This is the approximate level of distributions paid in Q2 and Q3 2012. Such dividend level is based on the Terminal handling 30 million tonnes or more (under its existing customer contracts) for the next several years. As part of this fund, the Corporation also expects to retain any insurance recoveries it ultimately receives in respect of lost income (net of income taxes payable) from the Berth 1 trestle incident. This dividend policy will be subject to regular review, and actual operating performance at the Terminal and the ultimate costs for these projects may impact future dividends positively or negatively.



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Outlook

The cash inflows of the Corporation 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 and 2012 provide significant customer volume commitments over the next several years, much of which are at fixed rates. Shipments under those contracts are expected to provide a stable base for revenues over the next several 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 significantly smaller than in the period prior to 2010.

The variance in revenues from 2012 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, Westshore is anticipating volume levels in 2013 to be higher than in 2011 and 2012 and at slightly higher rates than in 2012. 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 2012, Westshore paid \$2,889,000 (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 \$950,000 (excluding HST), and an incentive fee of \$1,939,000 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 with increases of 3% each year thereafter.

The Governance Agreement between the Corporation 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 2012, the Corporation paid a total of \$325,000 (excluding HST) to the Manager for administration services provided under the Administration Agreement between the Corporation and the Manager. Effective January 1, 2012, the annual administration fee increased to \$325,000 with increases of 3% each year thereafter.

Changes In Accounting Policies

The Corporation's accounting policies are found in note 3 of the Corporation's financial statements beginning on page 22. There were no changes in accounting policies during the year ended December 31, 2012.

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.



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

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.

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.



Westshore Terminals Investment Corporation

Management's Discussion & Analysis of

Financial Condition and Results of Operations

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.

New Accounting Standards:

Amendments to IAS 1 Presentation of Financial Statements

In September 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 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 issued IFRS 13 - *Fair Value Measurement* which is effective prospectively for annual periods beginning on or after January 1, 2013. 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 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



Westshore Terminals Investment Corporation

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

- Inclusion of a non-investment expense allowance as part of the pension expense
- 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 amended standard will result in a decrease in operating income of approximately \$2.1 million for the year. This decrease will be exactly offset in other comprehensive income. A further change will be the presentation of the expense. The defined benefit plan expense concepts of "interest cost" and "return on plan assets" will be replaced with the concept of "net interest". This net interest will be disclosed as a component of financing costs upon application of the amended standard.

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, 2012. 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, 2012 that have materially affected the Corporation's internal controls over financial reporting, or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.

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

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.



Westshore Terminals Investment Corporation

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

Disclosure Controls And Procedures

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

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

As required by National Instrument 52-109, the Chief Executive Officer and the Chief Financial Officer of the Corporation, in conjunction with management of the General Partner, have evaluated the effectiveness of the design and tested the operation of the disclosure controls and procedures of Westshore, the General Partner and the Corporation as of December 31, 2012 and have concluded that such disclosure controls and procedures provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in such legislation.

Additional information relating to the Corporation and Westshore, including the Corporation’s annual information form, is available at www.sedar.com



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



KPMG LLP
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, 2012 and 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP
Chartered Accountants

March 19, 2013
Vancouver, Canada

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

December 31, 2012 and 2011

	Note	2012	2011
Assets			
Current assets:			
Cash and cash equivalents		\$ 43,873	\$ 65,587
Accounts receivable		11,247	21,780
Inventories		9,033	8,308
Prepaid expenses		872	734
		65,025	96,409
Property, plant, and equipment:			
At cost	4	593,168	538,039
Accumulated depreciation		(441,760)	(436,858)
		151,408	101,181
Goodwill		365,541	365,541
Deferred income taxes	7	6,423	5,960
		\$ 588,397	\$ 569,091
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 37,108	\$ 31,073
Provisions	12	1,691	2,631
Income tax payable		5,353	14,979
Other liabilities	17	-	79
Accrued interest payable		18	9,757
Dividends payable to shareholders	8	20,419	9,653
		64,589	68,172
Employee future benefits	10	59,780	56,965
Long term debt	11	30,000	-
Holdings notes payable	11	-	371,250
		154,369	496,387
Shareholders' equity / Unitholders' deficit:			
Share capital	8	1,706,265	1,335,015
Deficit		(1,272,237)	(1,262,311)
		434,028	72,704
		\$ 588,397	\$ 569,091

Subsequent event (note 20)

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, 2012 and 2011

	Note	2012	2011
Revenue:			
Coal loading		\$ 232,442	\$ 205,627
Other		8,253	7,210
		240,695	212,837
Expenses:			
Operating		121,600	105,832
Administrative		9,951	9,690
		131,551	115,522
Other:			
Foreign exchange gain (loss)		(369)	456
Loss on write-down of fixed assets		(1,766)	-
Profit from operating activities		107,009	97,771
Interest income		196	134
Interest expense		(19,491)	(38,981)
Net finance costs	5	(19,295)	(38,847)
Profit (loss) before income tax		87,714	58,924
Income tax expense – current		20,834	14,979
Income tax expense – future		941	952
Income tax expense	6	21,775	15,931
Profit for the year		65,939	42,993
Other comprehensive loss:			
Defined benefit plan actuarial losses	10	(5,619)	(8,502)
Income tax recovery on other comprehensive loss		1,405	2,126
Other comprehensive loss for the period, net of income tax		(4,214)	(6,376)
Total comprehensive income for the year		\$ 61,725	\$ 36,617
Basic and diluted earnings per share		\$ 0.89	\$ 0.58
Weighted average number of shares outstanding		74,250,016	74,250,016

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2012 and 2011

	Share capital	Retained Deficit	Total
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
Balance at January 1, 2012	\$ 1,335,015	\$ (1,262,311)	\$ 72,704
Profit for the period	-	65,939	65,939
Other comprehensive loss:			
Defined benefit plan actuarial losses, net of tax of \$1,405	-	(4,214)	(4,214)
Total comprehensive income for the year		61,725	61,725
Contributions by and distributions to shareholders of the Corporation:			
Issuance of common shares on exchange of note receipts	371,250	-	371,250
Dividends declared	-	(71,651)	(71,651)
Total contributions by and distributions to shareholders of the Corporation	371,250	(71,651)	299,599
Balance at December 31, 2012	\$ 1,706,265	\$ (1,272,237)	\$ 434,028

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, 2012 and 2011

	2012	2011
Cash and cash equivalents provided by (used in):		
Operating:		
Profit for the year	\$ 65,939	\$ 42,993
Items not affecting cash:		
Foreign exchange contracts	(79)	97
Depreciation	9,870	10,042
Employee future benefits liability	(2,804)	(1,796)
Net finance costs	19,295	38,847
Income tax expense	21,775	15,931
Loss on write-down of fixed assets	1,766	-
	115,762	106,114
Changes in operating working capital and other:		
Accounts receivable	10,533	874
Inventories	(725)	(1,390)
Prepaid expenses	(138)	(80)
Accounts payable and accrued liabilities & provisions	5,095	7,754
	14,765	7,158
Income tax paid	(30,460)	-
	100,067	113,272
Financing:		
Long-term debt	30,000	-
Interest received	202	146
Interest paid to noteholders	(29,236)	(65,247)
Dividends paid to shareholders	(60,885)	(32,442)
	(59,919)	(95,543)
Investments:		
Property, plant and equipment, net	(61,863)	(15,042)
Increase (decrease) in cash and cash equivalents	(21,714)	2,687
Cash and cash equivalents, beginning of the year	65,587	62,900
Cash and cash equivalents, end of the year	\$ 43,873	\$ 65,587

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, 2012 and 2011

1. Reporting entity:

The Corporation was incorporated under the Business Corporation Act (British Columbia) BCBCA on September 28, 2010. The Corporation is a continuation of Westshore Terminals Income Fund which converted to a corporation effective January 1, 2011. The financial statements include assets and liabilities transferred to the Corporation at their respective carrying values on January 1, 2011.

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

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

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2012 comprise the Corporation and its subsidiaries (together referred to as the "Corporation").

2. Basis of preparation:

(a) Statement of compliance:

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2013.

(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.



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, 2012 and 2011

2. Basis of preparation (continued):

(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.

3. Significant accounting policies:

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



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, 2012 and 2011

3. Significant accounting policies (continued):

(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, dividends payable to shareholders, and long term debt.

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.

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.



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, 2012 and 2011

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

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

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

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

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

(ii) Depreciation:

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



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, 2012 and 2011

3. Significant accounting policies (continued):

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

(ii) Depreciation (continued):

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.

(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.



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, 2012 and 2011

3. Significant accounting policies (continued):

(e) Impairment (continued):

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.

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:

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.



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, 2012 and 2011

3. Significant accounting policies (continued):

(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 used to determine the present value of the obligation is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the term of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

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

Other long-term employee benefits

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



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, 2012 and 2011

3. Significant accounting policies (continued):

(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 includes wharfage fees which are recorded based upon the period of time a ship is at the terminal.

(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 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 became effective as of January 1, 2012. 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.



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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3. Significant accounting policies (continued):

(k) Income tax (continued):

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.

(l) 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, 2012, 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.



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Years ended December 31, 2012 and 2011

3. Significant accounting policies (continued):

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

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 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
- A non-investment expense allowance must be included as part of the pension expense
- 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.



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, 2012 and 2011

3. Significant accounting policies (continued):

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

The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The amended standard will result in a decrease in operating income of approximately \$2.1 million for 2013. This decrease will be exactly offset in other comprehensive income. A further change will be the presentation of the expense. The defined benefit plan expense concepts of "interest cost" and "return on plan assets" will be replaced with the concept of "net interest". This net interest will be disclosed as a component of financing costs upon application of the amended standard.

4. Plant and equipment:

	Buildings and land improvements	Machinery and equipment	Construction in progress	Total
Cost				
Balance at January 1, 2011	\$ 34,158	\$ 488,053	\$ 786	522,997
Additions	-	-	15,042	15,042
Transfers	307	2,796	(3,103)	-
Balance at December 31, 2011	34,465	490,849	12,725	538,039
Balance at January 1, 2012	34,465	490,849	12,725	538,039
Additions	554	60,856	-	61,410
Capitalized interest ¹	-	473	-	473
Transfers	-	7,014	(7,014)	-
Disposals	-	(6,754)	-	(6,754)
Balance at December 31, 2012	\$ 35,019	\$ 552,438	\$ 5,711	\$ 593,168
Accumulated Depreciation				
Balance at January 1, 2011	\$ 29,062	\$ 397,754	\$ -	\$ 426,816
Depreciation for the year	913	9,129	-	10,042
Balance at December 31, 2011	\$ 29,975	\$ 406,883	\$ -	\$ 436,858
Balance at January 1, 2012	\$ 29,975	\$ 406,883	\$ -	\$ 436,858
Depreciation for the year	943	8,927	-	9,870
Disposals	-	(4,968)	-	(4,968)
Balance at December 31, 2012	\$ 30,918	\$ 410,842	\$ -	\$ 441,760
Carrying amounts				
At December 31, 2011	\$ 4,490	\$ 83,966	\$ 12,725	\$ 101,181
At December 31, 2012	4,101	141,596	5,711	151,408

¹The capitalization rate for the period was 3.0%



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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Years ended December 31, 2012 and 2011

5. Finance costs:

	2012	2011
Interest income on bank deposits	\$ 196	\$ 134
Interest accrued to noteholders	(19,491)	(38,981)
Net finance costs recognized in profit	\$ (19,295)	\$ (38,847)

6. Income tax expense:

	2012	2011
Current tax expense	\$ 20,834	\$ 14,979
Deferred tax expense	941	952
Total tax expense	\$ 21,775	\$ 15,931

Reconciliation of effective tax rate:

Profit before income tax	\$ 87,715	\$ 58,924
Statutory rate	25.00%	26.50%
Expected income tax expense	21,929	15,615
Permanent differences	25	35
Difference between current and future tax rates	-	7
Other	(179)	274
Actual income tax expense	\$ 21,775	\$ 15,931



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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Years ended December 31, 2012 and 2011

7. Deferred tax assets and liabilities:

	2012	2011
Deferred tax assets:		
Non-pension defined benefits liability	\$ 12,584	\$ 11,238
Pension defined benefits liability	2,361	3,003
Financing fees	2	-
Foreign exchange contracts	-	20
Non-capital loss carryforwards	1,600	1,551
Total assets	16,547	15,812
Deferred tax liabilities:		
Other	-	(949)
Property, plant and equipment	(10,124)	(8,903)
Total liabilities	(10,124)	(9,852)
Net deferred income tax assets	\$ 6,423	\$ 5,960

8. Share capital:

Authorized:

Unlimited number of common shares, no par value

Issued:

	Common shares	
	2012	2011
74,250,016 issued and outstanding Common Shares	\$ 1,706,265	\$ 1,335,015

Until July 1, 2012, securityholders held Units consisting of Common Shares of the Corporation and note receipts ("Note Receipts") issued by a wholly-owned subsidiary Westshore Terminals Holdings Ltd. ("Holdings"). The Common Shares and Note Receipts previously traded together as units ("Units") on the Toronto Stock Exchange ("TSX"). Effective July 1, 2012, the Corporation and Holdings completed a capital restructuring by way of a plan of arrangement. Pursuant to the plan of arrangement, all of the issued and outstanding Note Receipts of Holdings were exchanged for additional Common Shares. Immediately following this exchange, all of the issued and outstanding Common Shares were consolidated such that each Shareholder held the same number of Common Shares as such Shareholder held prior to the exchange and consolidation. The result is that instead of the formerly outstanding 74,250,016 Units, the authorized capital of the Corporation now consists of an unlimited number of Common Shares of which 74,250,016 are outstanding, without any debt component held by the public securityholders. The Note receipts had a carrying value of \$371,250,000 (note 11) and this amount was credited to share capital on completion of the capital restructuring.

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.



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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Years ended December 31, 2012 and 2011

8. Share capital (continued):

The Corporation has declared the following dividends in 2012 (2011 - \$40,095,000):

Record date	Payment date	Per share	Total
March 31	April 15	\$ 0.170	\$ 12,622
June 30	July 15	0.190	14,108
September 30	October 15	0.330	24,502
December 31	January 13	0.275	20,419
			\$ 71,651

9. Profit per share:

Earnings per share:

The calculation of basic profit per share for the year ended December 31, 2012 was based on profit attributable to shareholders and a weighted average number of common shares outstanding.

	2012	2011
Profit for the year	\$ 65,939	\$ 42,993
Profit attributable to common shareholders	\$ 65,939	\$ 42,993

Weighted average number of common shares:

	2012	2011
Issued and outstanding	74,250,016	74,250,016
Weighted average number of common shares	74,250,016	74,250,016

	2012	2011
Basic and diluted earnings per share	\$ 0.89	\$ 0.58



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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Years ended December 31, 2012 and 2011

10. Employee benefits:

	2012	2011
Present value of unfunded obligations	\$ 50,336	\$ 44,952
Present value of funded obligations	91,866	85,471
Total present value of obligations	142,202	130,423
Fair value of plan assets	(82,422)	(73,458)
Recognized liability for defined benefit obligations	\$ 59,780	\$ 56,965

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 and nil for the year ended December 31, 2012. 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:

	2012	2011
Equity securities	\$ 56,292	\$ 46,051
Fixed income securities	23,505	25,776
Cash and cash equivalents	2,625	1,631
	\$ 82,422	\$ 73,458



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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Years ended December 31, 2012 and 2011

10. Employee benefits (continued):

Movements in defined benefit obligations:

Movement in the present value of the Defined benefit obligations	Pension obligations		Other post retirement benefits	
	2012	2011	2012	2011
Defined benefit obligations at January 1	\$ 85,471	\$ 83,683	\$ 44,952	\$ 39,781
Benefits paid by the plan	(4,414)	(4,386)	(1,447)	(1,303)
Current and past service costs and interest (see below)	5,798	5,999	3,621	3,264
Actuarial losses in other comprehensive income (see below)	5,011	5,246	3,210	3,210
Adjustment to impairment for future contributions in other comprehensive income (see below)	-	(5,071)	-	-
Defined benefit obligations at December 31	\$ 91,866	\$ 85,471	\$ 50,336	\$ 44,952

Movements in plan assets:

Movement in plan asset value	Pension obligations		Other post retirement benefits	
	2012	2011	2012	2011
Fair value of plan assets at January 1	\$ 73,458	\$ 73,205	\$ -	\$ -
Contributions paid into the plan	5,772	4,623	1,447	1,303
Benefits paid by the plan	(4,414)	(4,386)	(1,447)	(1,303)
Expected return on plan assets	5,004	5,132	-	-
Actuarial gains (losses) in other comprehensive income (see below)	2,602	(5,116)	-	-
Fair value of plan assets at December 31	\$ 82,422	\$ 73,458	\$ -	\$ -



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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Years ended December 31, 2012 and 2011

10. Employee benefits (continued):

Components of defined benefit obligations expense:

Defined benefit obligations expense recognized in profit or loss	Pension obligations		Other post retirement benefits	
	2012	2011	2012	2011
Current service costs	\$ 1,399	\$ 1,263	\$ 1,400	\$ 1,150
Past service costs	378	657	54	-
Interest on obligation	4,021	4,079	2,167	2,114
Expected return on plan assets	(5,004)	(5,132)	-	-
	\$ 794	\$ 867	\$ 3,621	\$ 3,264

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

	2012	2011
Actual return on plan assets	\$ 7,584	\$ 244

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.

Components of pension expense (continued):

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



Westshore Terminals Investment Corporation

Notes to the Consolidated Financial Statements

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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):

	2012		2011	
	Pension benefits %	Other benefits %	Pension benefits %	Other benefits %
Benefit obligations:				
Discount rate at December 31	4.25	4.25	4.75	4.75
Rate of increase in future compensation	3.00	-	3.00	-
Benefit costs:				
Discount rate at January 1	4.75	4.75	5.25	5.25
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	-	6.75	-

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%.

Components of pension expense (continued):

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	\$ (308)	\$ 476
Effect on benefit obligation	(4,758)	5,422

Actuarial losses recognized in other comprehensive income:

	2012	2011
Cumulative amount at January 1	\$ (15,489)	\$ (6,987)
Recognized during the period	(5,619)	(8,502)
Cumulative amount at December 31	\$ (21,108)	\$ (15,489)



Westshore Terminals Investment Corporation

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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.

	2012	2011
Non-current liabilities:		
Notes payable (Note Receipts)	\$ -	\$ 371,250
Revolving credit facility	30,000	-
	<hr/> \$ 30,000	<hr/> \$ 371,250

Westshore has a \$10 million operating facility which remained undrawn at December 31, 2012. The term of this operating facility expires in August 2013.

Westshore has a \$50 million revolving credit facility to be utilized for capital expenditures and investments, of which \$30 million was drawn at December 31, 2012. The credit facility has a five-year term ending August 31, 2016, and is secured by a pledge of the assets of the Corporation. The revolving credit facility bears interest at bank prime of 3% as of December 31, 2012 and no repayments are required until maturity.

Under its credit facilities, the Corporation is required to comply with certain financial covenants. At December 31, 2012, the Company was in compliance with these financial covenants. Pursuant to the Arrangement Resolution approved by shareholders at the Annual General and Special Meeting on June 19, 2012, a capital restructuring occurred on July 1, 2012 involving an exchange of all of the Holdings Note Receipts for additional common shares of the Company. Immediately following such exchange, all of the issued and outstanding common shares were consolidated such that each Shareholder holds the same number of common shares after the consolidation as such Shareholder held prior to the exchange and consolidation. At December 31, 2012, the Corporation has no Holdings Notes payable outstanding.



Westshore Terminals Investment Corporation

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12. Provisions:

Westshore makes certain provisions, including 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, 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
Provisions made during the period	477	501	978
Provisions used during the period	(185)	(1,182)	(1,367)
Provisions reversed during the period	(400)	(151)	(551)
Balance at December 31, 2012	\$ 1,221	\$ 470	\$ 1,691

13. Financial instruments:

The carrying amounts reported in the consolidated statement of financial position as at December 31, 2012 approximate fair values.

14. Operating leases:

The Corporation is committed under operating leases for 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 (2011 - \$5,207,000) and an annual participation rental based on the volume of coal shipped. A minimum participation rental of \$6,494,000 (2011 - \$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 2012, the Corporation paid \$7,962,000 (2011 - \$8,547,000) in relation to the higher participation rental.



Westshore Terminals Investment Corporation

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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
2013	\$ 11,701	\$ 290	\$ 11,991
2014	11,701	290	11,991
2015	11,701	-	11,701
2016	11,701	-	11,701
2017	11,701	-	11,701
Thereafter to 2026	105,308	-	105,308

15. Capital commitments:

The Corporation has a commitment of approximately \$2,469,000 (2011 - \$4,403,000) with respect to equipment purchases that have been accrued for at December 31, 2012 and that are to be paid in 2013.

The Corporation has provided a letter of credit of \$4,080,000 (2011 - \$4,080,000).

16. Major customers:

The following customers accounted for throughput of greater than 10% of total throughput:

	2012	2011
Teck Coal Partnership	57%	58%
Other customer A	14%	12%
Other customer B	12%	14%

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.



Westshore Terminals Investment Corporation

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Years ended December 31, 2012 and 2011

17. Financial risk management (continued):

(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, 2012 and 2011, 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:

	2012	2011
Cash and cash equivalents	\$ 43,873	\$ 65,587
Accounts receivable	11,247	21,780
	<hr/> \$ 55,120	<hr/> \$ 87,367

(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 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 does not have any foreign exchange contracts outstanding at December 31, 2012.

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, 2012, although Westshore has an outstanding letter of credit for \$4.1 million.

Westshore has a \$50 million revolving credit facility to be utilized for capital expenditures and investments, of which \$30 million was drawn at December 31, 2012. The revolving credit facility bears interest at bank prime of 3% as of December 31, 2012 and no repayments are required until maturity.



Westshore Terminals Investment Corporation

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Years ended December 31, 2012 and 2011

17. Financial risk management (continued):

(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, 2012, the Corporation held US\$10.9 million (2011 – US\$10.9 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, 2012 was \$49,000 (2011 - \$4,815,000).

The Corporation does not have any outstanding foreign currency contracts at December 31, 2012 (2011 - liability of \$79,000). The fair market value of the Corporation's foreign currency contracts has increased by \$79,000 in 2012.

(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.

The Corporation also has interest rate risk on the revolving term debt. The revolving term debt carries an interest rate of prime that floats with market rates.

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. Starting in Q2 2013, the Corporation expects to declare and pay dividends to holders of its Common Shares equal to \$0.33 per share per quarter. In 2013, the Corporation expects that its quarterly dividends to shareholders will be funded by earnings and operating cash flows, and surplus cash will be added to the Corporation's available capital for future capital projects



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, 2012 and 2011

19. Related party transactions:

	2012	2011
Administration agreement: Westar Management Ltd.	\$ 325	\$ 250
Management agreement: Westar Management Ltd. – base fee	950	750
Management agreement: Westar Management Ltd. – incentive fee	1,939	1,857
Vehicle leases: Affiliate of Westar Management Ltd.	417	393
Directors and Key Management Personnel: Directors and Key Management Personnel fees	308	280

20. Subsequent events:

On December 7, 2012 the MV Cape Apricot, a large cape size coal vessel, ran through the trestle at Berth 1 rendering it unusable. Repairs to the trestle were completed to a point sufficient to bring Berth 1 back into operations in early-February, with final repairs to the road-way on the trestle anticipated to be completed by the end of April. Efforts to recover insured losses from both Westshore's insurers and the ship's owners and insurers are ongoing with \$20 million recovered to date from Westshore's insurers. On a cash basis, this amount is to be applied against an amount approximately equal to the physical repair costs.

Westshore Terminals Investment Corporation

Directors

William W. Stinson*Corporate Director***M. Dallas H. Ross***Partner, Kinetic Capital Partners***Gordon Gibson***Corporate Director***Michael J. Korenberg***Deputy Chairman & Managing Director,
The Jim Pattison Group; Co-Chairman,
Canfor Corporation and Canfor Pulp Products Inc.***Brian A. Canfield***Chair, TELUS Corporation***Doug Souter***Corporate Director*

Officers

William W. Stinson*Chairman, Chief Executive Officer & President***M. Dallas H. Ross***Chief Financial Officer***Nick Desmarais***Secretary*

Stock Exchange Listing

Toronto Stock Exchange

Trading Symbol

WTE

Registrar and Transfer Agent

Computershare Investor Services Inc.
Vancouver and Toronto

Auditors

KPMG LLP
Vancouver, British Columbia

Principal Office

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

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Facsimile: 604.687.2601

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***Brian A. Canfield***Director***Denis Horgan***Vice-President & General Manager***Nick Desmarais***Secretary*