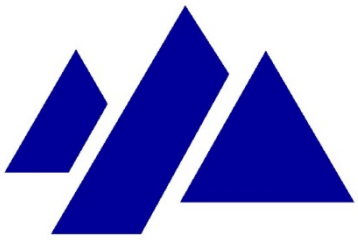

WESTSHORE TERMINALS INVESTMENT CORPORATION

ANNUAL REPORT

2013

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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Westshore Terminals Investment Corporation

Financial Highlights

(In thousands of Canadian dollars except per share and Note Receipt amounts)		2013		2012 [1]
Tonnage (in thousands)		30,094		26,094
Revenue				
Coal loading	$	286,703	$	232,442
Other	$	9,022	$	8,253
	$	295,725	$	240,695
Profit for the period	$	133,426	$	64,657
Profit for the period per share	$	1.80	$	0.87
Interest paid/accrued on Holdings Notes	$	-	$	19,491
Interest paid/accrued per Note Receipt	$	-	$	0.263
Dividends declared	$	98,010	$	71,651
Dividends declared per share	$	1.32	$	0.96
Shares outstanding at December 31		74,250,016		74,250,016
Share Trading Statistics				
High	$	36.17	$	30.15
Low	$	25.69	$	22.90
Close	$	34.61	$	27.55
Annual Volume		27,855,000		22,920,000

[1] Certain 2012 amounts have been restated due to the adoption of IAS 19R (amended employee benefits standard). Further details can be found in the "Changes in Accounting Policies" section of this document.

Dear Shareholder:

2013 represented a year of many challenges and opportunities for Westshore and included total throughput volumes of 30.1 million tonnes, the highest level in Westshore's history. During the first two months of 2013, Westhore was challenged with repair efforts to the trestle at Berth 1, which was rendered inoperable following the damage caused by the Cape Apricot, a cape sized vessel, which ran through it in December 2012. Repair and clean up efforts proceeded very smoothly and expeditiously under the circumstances, and there were no environmental issues. Insurance proceeds of $32.3 million were recovered from Westshore's insurers during the year and a further $6.2 million (for a total of $38.5 million) will be recovered by the second quarter of 2014. An action on behalf of Westshore and its insurers against the Cape Apricot and its insurers to recover damages caused by the incident continues.

During 2013, the board of directors also approved the next capital upgrade project which will involve the replacement of the three older stacker reclaimers (all between 30 - 40 years old), replacement of a shiploader at Berth 1 (approximately 30 years old) and the replacement and consolidation of the current office and maintenance shop complex (approximately 40 years old). As announced by Westshore on March 18, 2014 following extensive additional engineering work and negotiations with machine suppliers, the budget for the capital upgrade project has been updated and is now anticipated to cost approximately $275 million. The increased costs are attributable to a10% deterioration in the Canadian/U.S. dollar exchange rate, upgraded machine design and an increase in attributable B.C. PST. The increase in up front capital costs is anticipated to be more than recovered in reduced maintenance costs and reduced downtime (allowing for better continuous productivity) over the life of the stacker reclaimers.

Permits necessary to proceed with these upgrades have been obtained and the total project is anticipated to be completed in 2018. Once the upgrade is complete, Westshore will have new equipment to enable it to sustain the current rated capacity of 33 million tonnes with the potential to add 2-3 million tonnes of further capacity. The new equipment is expected to be delivered and installed over the next 4-5 years, in a phased sequence so as to minimize the disruptions to the operations. This project does not increase Westshore's overall operational footprint. Once fully operational, the new equipment is projected to increase the potential rated capacity at the terminal by 2-3 million tonnes per year. Actual throughput increases will be dependent on a number of factors outside of Westshore's control, including the performance of the other parties along the coal chain (rail and ship) and overall demand for coal. In any event, the new equipment will enable Westshore to maintain higher throughput levels over the longer term.

Upon completion, this project will also conclude a ten-plus year, $380 million capital upgrade of the terminal resulting in a total increase in rated throughput capacity from 23 million tonnes to 35-36 million tonnes (representing a capital cost per tonne of expansion of roughly $30-31/tonne, a very competitive cost for capacity upgrades by international industry standards), and effectively result in a newer, more modern and better-equipped terminal, capable of maintaining higher throughput levels on a sustainable basis. These amounts do not include an additional $20 million plus in improved and updated environmental systems over the same period.

In 2013, Westshore also spent $14 million to upgrade its environmental systems, including new state of the art spray towers for dust suppression.

With customer agreements currently in place, which were secured in 2011 and 2012, most of Westshore's capacity is committed through to 2021. For 2014, the average loading rate is expected to be slightly higher than in 2013 and total throughput is anticipated to be 31-32 million tonnes.

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

For the Board of Directors,

(Signed) "*William Stinson*"
William Stinson
Chairman of the Board of Directors

Vancouver, B.C.
March 18, 2014

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, 2013. This discussion and analysis has been based upon the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion and analysis is the responsibility of management of the Corporation. Additional information and disclosure can be found on SEDAR at www.sedar.com. Unless otherwise indicated, the information presented in this Management's Discussion and Analysis ("MD&A") is stated as at March 18, 2014.

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, customer contract renegotiations, cost of and timing to complete capital projects and the anticipated level of dividends.

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

General

The Corporation was incorporated under the *British Columbia Business Corporations Act* on September 28, 2010 and is domiciled in Canada. The registered and head office of the Corporation is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7. The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership ("Westshore"), a partnership established under the laws of British Columbia. Prior to 2011 those units were owned by Westshore Terminals Income Fund.

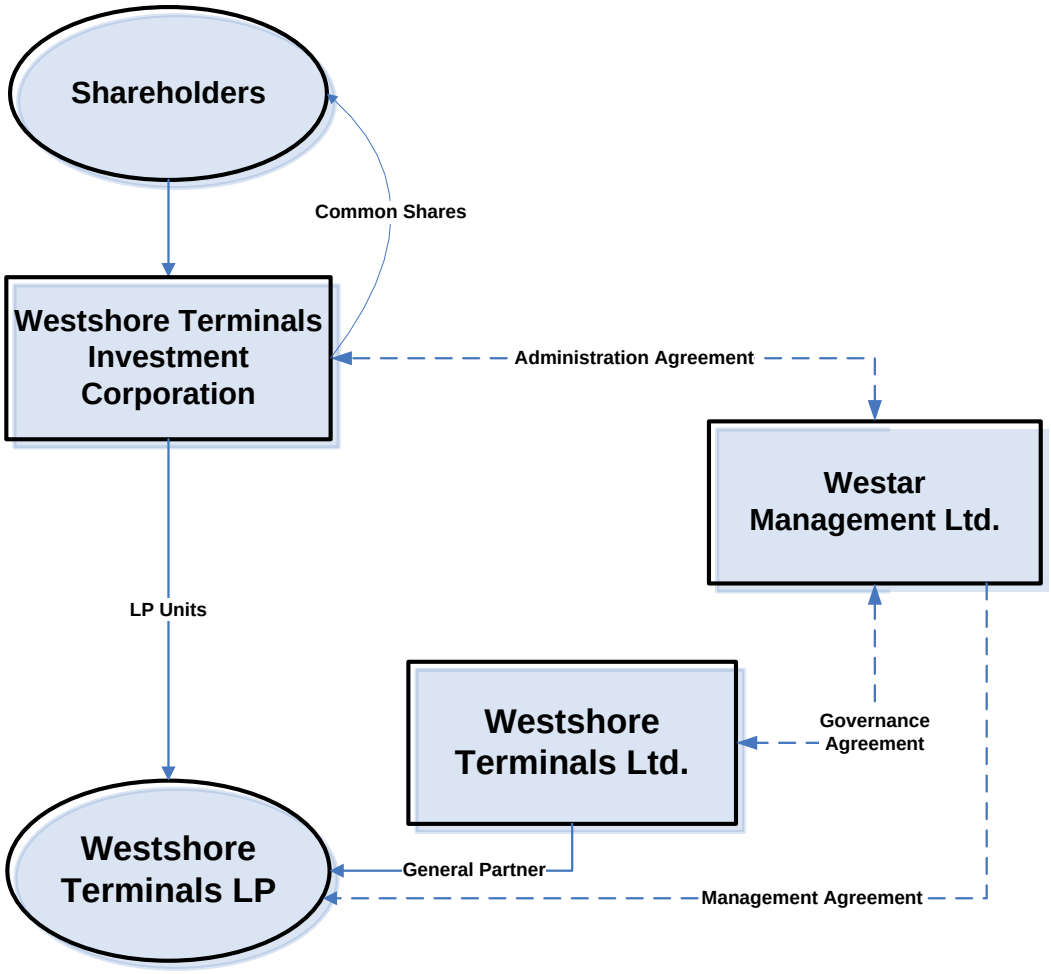
The Corporation derives its cash inflows from its investment in Westshore by way of distributions on Westshore's limited partnership units. Westshore operates a coal storage and loading terminal at Roberts Bank, British Columbia (the "Terminal"). Substantially all of Westshore's operating revenues are 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. Contracts entered into over the last two years provide customer volume commitments, much of which are at fixed rates, for approximately 90% of the Terminal's 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 certain contracts 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, 2013.

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 2014 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.

Selected Financial Information

The following financial data is derived from the Corporation's audited consolidated financial statements for the years ended December 31, 2013, 2012 and 2011, which were prepared in Canadian dollars using IFRS.

	2013	2012[3]	2011
	$	$	$
Revenue	**295,725**	240,695	212,837
Profit before taxes	**179,912**	86,005	58,924
Profit for the period	**133,426**	64,657	42,993
Profit for the period per share[1]	**1.80**	0.87	0.58
Interest paid/accrued on Holdings Notes[2]	**-**	19,491	38,981
Interest paid/accrued per Note Receipt	**-**	0.263	0.525
Dividends declared	**98,010**	71,651	40,095
Dividends declared per share	**1.32**	0.96	0.54
Total assets	**632,994**	588,397	569,091
Total long term liabilities	**77,415**	89,780	428,215

(1) The number of Common Shares outstanding for all years was 74,250,016.

(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.

(3) Certain 2012 amounts have been restated due to the adoption of IAS 19R (amended employee benefits standard). Further details can be found in the "Changes in Accounting Policies" section of this document.

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

(In thousands of Canadian dollars except per share and Note Receipt amounts)	**Three Months Ended**			
	Dec 31, 2013	**Sep 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**
	$	**$**	**$**	**$**
Revenue	78,135	81,347	78,805	57,438
Profit before income taxes	42,253	39,778	54,249	43,632
Profit for the period	31,476	29,470	39,761	32,719
Profit for the period per share	0.42	0.40	0.54	0.44
Dividends declared	24,503	24,503	24,503	24,503
Dividends declared per share	0.33	0.33	0.33	0.33

(In thousands of Canadian dollars except per share and Note Receipt amounts)	Three Months Ended			
	Dec 31, 2012	**Sep 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**
	$	**$**	**$**	**$**
Revenue	55,346	71,211	65,581	48,557
Profit before income taxes	22,976	37,223	20,682	5,124
Profit for the period	17,206	27,917	15,690	3,844
Profit for the period per share	0.23	0.38	0.21	0.05
Interest paid/accrued on Holdings Notes	-	-	9,745	9,745
Interest paid/accrued per Note Receipt	-	-	0.131	0.131
Dividends declared	20,419	24,502	14,108	12,622
Dividends declared per share	0.27	0.33	0.19	0.17

(1) Certain 2012 amounts have been restated due to the adoption of IAS 19R

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 56% of Westshore's throughput by volume in 2013 (2012 –57%).

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

(Expressed in thousands of metric tonnes)

	2013		2012		2011	
	Tonnes	%	Tonnes	%	Tonnes	%
Korea	11,906	40	9,185	35	11,761	43
China	6,497	22	4,894	19	2,412	9
Japan	6,291	21	5,256	20	5,606	21
Europe	1,712	6	2,372	9	3,684	13
Taiwan	1,656	5	1,374	5	447	2
S. America	1,294	4	2,474	10	2,810	10
Other	738	2	539	2	586	2
Total	30,094	100	26,094	100	27,306	100

During 2013, 60% of Westshore's volume was metallurgical coal (61% in 2012), 39% was thermal coal (38% in 2012) and 1% was petroleum coking coal in both years. Of the 6.5 million tonnes of coal shipped to China, 5.2 million tonnes were metallurgical coal, and approximately 1.3 million tonnes were thermal coal, of which 0.4 million tonnes was from a Canadian customer. Of the coal shipped by Westshore's US customers, 8.4 million tonnes of the 9.3 million tonnes was shipped to Korea and Japan, with the balance shipped to China. Any weakening in the market for seaborne thermal coal could materially affect the ability of Westshore's thermal coal customers to sustain sales at the levels experienced in 2012 and 2013.

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, resulting in significant variations in the prices obtained by Westshore's customers. Prices for metallurgical coal are now being established on a quarterly basis. 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 runs to March 31, 2021. Under this contract, Teck has committed to ship not less than 19 million tonnes per contract year, 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.) ("Coal Valley") which covers thermal coal from the Coal Valley mine and the Obed mine. Westshore's contract with Coal Valley runs to 2022. During 2013, Coal Valley shipped 2.0 million tonnes of thermal coal through the Terminal compared to 2.2 million tonnes in 2012. 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 1.7 million tonnes under this contract in 2013, compared to 1.1 million tonnes in 2012. The contract with Grande Cache provides for shipments through Westshore exclusively.

Westshore has entered into contracts with U.S. thermal coal producers that run 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 31% of Westshore's throughput in 2013.

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.

Facilities

Commencing in 2007, Westshore undertook 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 then 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 initially was partly 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 current and foreseeable operating conditions. The interruption of operations at Berth 1 prevented normal operations during January and early-February 2013.

In early 2013, Westshore approved a further capital expenditure program to replace the three oldest stacker-reclaimers and a shiploader at Berth 1 with new equipment. By acquiring this new equipment, Westshore will be able to significantly enhance its operational efficiencies in several respects, including standardizing spare parts, and reduction in overall maintenance downtime and costs involved in maintaining older equipment. The new stacker-reclaimers will have an anticipated useful life of 30-40 years. The project will also involve combining the various structures on the site including the 42 year old outdated and inefficient administration, operations and maintenance buildings into one consolidated complex. It will also result in storage optimization. The project is expected to be completed in stages ending in 2018.

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 utilized if other participants in the coal chain can also improve efficiencies and increase sales. Currently, it is estimated that an additional 2-3 million tonnes per year might be achievable, but in any event not before 2018.

The new equipment is expected to be delivered and installed over the next 4-5 years, in a phased sequence so as to minimize the disruptions to the operations. This project does not increase Westshore's overall operational footprint. Once fully operational, the new equipment is projected to increase the potential rated capacity at the terminal by 2-3 million tonnes per year. Actual throughput increases will be dependent on a number of factors outside of Westshore's control, including the performance of the other parties along the coal chain (rail and ship) and overall demand for coal. In any event, the new equipment will enable Westshore to maintain higher throughput levels over the longer term.

Upon completion, this project will also conclude a ten-plus year, $380 million capital upgrade of the terminal resulting in a total increase in rated throughput capacity from 23 million tonnes to 35-36 million tonnes (representing a capital cost per tonne of expansion of roughly $30-31/tonne, a very competitive cost for capacity upgrades by international industry standards), and effectively result in a newer, more modern and better-equipped terminal, capable of maintaining higher throughput levels on a sustainable basis. These amounts do not include an additional $20 million plus in improved and updated environmental systems over the same period.

In 2013 Westshore spent $14 million for new, state of the art dust suppression systems and related environmental control equipment which was completed in 2013.

Results of Operations

Westshore loaded 30.1 million tonnes during 2013 as compared to 26.1 million tonnes during 2012. First quarter 2013 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 3 million tonnes of shipments from December 7, 2012 to February 7, 2013. Coal loading revenue increased by 23.4% to $286.7 million in 2013 compared with $232.4 million in 2012. The increase was due to higher tonnage at a higher average rate. In the fourth quarter of 2013, Westshore shipped 7.5 million tonnes, compared with 5.6 million tonnes shipped during the same period in 2012, which was impacted by the Berth 1 outage. The average loading rate in 2013 was $9.53 per tonne compared to $8.91 per tonne for 2012.

Other income, consisting of wharfage and ancillary services income, increased from $8.3 million in the 2012 to $9.0 million in 2013.

Operating expenses increased by 9.6% from $120.6 million in 2012 to $132.2 million in 2013, consistent with the increased volume loaded. Administration expenses increased by 32% from $10.0 million in 2012 to $13.2 million in 2013 primarily due to an increase in the incentive fee to Westar Management Ltd. (the "Manager").

An additional $6 million of insurance proceeds relating to the Berth 1 incident were recorded in the fourth quarter of 2013 ($32.3 million received for the year). Accounting standards require these proceeds to be recorded as income. $6.2 million of additional insurance recoveries from Westshore's insurers are anticipated to be fully recovered during the second quarter of 2014for total recoveries of $38.5 million. Recovery from the MV Cape Apricot (and/or its insurers) is also being pursued, but the ultimate amount and timing of any of such recoveries is unknown at this time. Westshore has used $18.3 million of the insurance proceeds to cover its out of pocket expenses to repair and rebuild the damaged trestle at Berth 1 which were incurred in Q4 2012 and the first half of 2013, with remaining amounts to

be applied to the $275 million capital upgrade projects that will take place over the next 4-5 years (refer to "Liquidity and Capital Resources" below).

Net finance costs for 2013 were lower than 2012 as there is no longer interest on the Holdings Notes. Interest expense in 2013 was $0.7 million compared to interest income of $0.2 million for the prior year. In the prior year, interest expense on the long-term debt was capitalized to property, plant and equipment as the new dumper was constructed, whereas interest expense on outstanding debt incurred in the current year was expensed.

The net interest cost components of the employee benefit plan expense are now recorded in net finance costs in accordance with the new employee benefits accounting standard adopted in the current year. Net employee benefit interest of $2.9 million was recorded in 2013, consistent with $2.7 million net employee benefit interest in 2012.

Income tax expense increased to $46.5 million in 2013 from $21.3 million in 2012. The increase resulted from an increase in profit before income taxes compared to the prior year and an increase in the tax rate. The increase in profit before income taxes was driven by higher tonnes shipped, higher loading rates, insurance proceeds received and the elimination of interest expense on the Holdings Notes

Other comprehensive income increased from a $2.9 million loss in 2012 to a $5.8 million gain in 2013. Other comprehensive income includes actuarial gains and losses on the defined benefit post-retirement obligations which are primarily impacted by the discount rate used and the plan asset value performance. The discount rate used to calculate post-retirement liabilities increased in 2013 resulting in a reduced obligation liability. In both 2012 and 2013, plan asset values increased due to positive returns in the stock markets.

Profit was higher in 2013 at $133.4 million, as compared to $64.7 million in 2012. The significant increase was due to increased operating profits, $32.3 million in insurance proceeds and extinguishment of the interest expense on the Holdings Notes. Westshore has used the insurance proceeds to cover its out of pocket expenses to repair and rebuild the damaged trestle at Berth 1 which were incurred in Q4 2012 and the first half of 2013 with the remaining amounts to be applied to the capital upgrade projects that will take place over the next 4-5 years (refer to "Liquidity and Capital Resources" below).

Cash Flows

Cash flows from operations are available to the Corporation to fund capital and other expenditures and pay dividends to shareholders. Cash flow from operations increased from $100.1 million in 2012 to $176.1 million in 2013. Cash flows before changes in working capital and income tax payments increased from $115.8 million in 2012 to $202.4 million in 2013 due to the insurance proceeds received, past service costs that were immediately expensed but were funded with a letter of credit in the current year, and increased profits resulting from both higher average loading rates and higher volumes shipped.

Working capital changes in 2013 were lower by $26.6 million than in 2012 as accounts receivable balances and accounts payable and accrued liabilities balances returned to a more normal level at the end of 2013. At the end of 2012, receivables and payables were low and high respectively due to the timely collection of receivables and payables being higher due to the timing of payments.

Cash used for financing activities for 2013 was $124.6 million as opposed to cash used of $59.9 million for 2012. The Corporation drew $30 million on the revolving credit facility in 2012, but repaid it in 2013. Dividend and interest payments for 2012 were $3.8 million lower than dividend only payments in 2013.

Cash used in investing activities decreased from $61.9 million in 2012 to $33.9 million in the 2013. The higher capital expenditures in the prior year were incurred as part of the double dumper and chute upgrade projects, whereas capital expenditures in the current year consisted of the replacement Berth 1 trestle and the new dust suppression system.

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 and shiploader. These projects will be financed through a combination of retention of cash flow and borrowings which are expected to be in the $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 a $15 million operating facility with a Canadian chartered bank which, if required, can be utilized to fund working capital requirements. This facility was not used during the fourth quarter and remained undrawn at December 31, 2013, although Westshore has an outstanding letter of credit for $11.8 million related to pension funding. The term of the operating facility expires on August 29, 2014.

Westshore has a $50 million revolving credit facility to be utilized for capital expenditures and investments, which was not drawn at December 31, 2013. The credit facility has a term ending August 31, 2016, and is secured by a pledge of all of the assets of the Corporation. The revolving credit facility bears interest at the 1 month BA rate plus a margin and no repayments are required until maturity. As noted above, additional borrowing will be required to finance the further capital upgrade projects announced in 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 $5.3 million in 2013 (2012 – $7.2 million), which comprised $4.0 million (2012 – $5.8 million) for contributions to the pension plans and $1.3 million (2012 - $1.4 million) for payments for other post-retirement benefits. Westshore anticipates that its funding requirements in 2014 will be higher than in 2013 but will partially be funded by an increase to the letter of credit rather than with cash. Westshore does not anticipate any problems satisfying its 2014 funding obligations out of current cash flows. The balance sheet reflects a $62.2 million obligation for post-retirement benefits and other post retirement benefit plans compared to $59.8 million for the prior year. This balance would be expected to decline in the future if interest rates increase.

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

	Terminal Lease	Other	Total
2014	$ 11,701	$ 290	$ 11,991
2015	11,701	-	11,701
2016	11,701	-	11,701
2017	11,701	-	11,701
2018	11,701	-	11,701
Thereafter	93,607	-	93,607

Westshore has a commitment of $4.1 million with respect to equipment purchases that are to be delivered and paid for in the next 12 months.

The Corporation does not have any material capital lease obligations, or other long-term obligations.

Distributions

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

(In thousands of Canadian dollars except per share and Note Receipt amounts)	2013 $	2012 $
Total Dividends on Common Shares	98,010	71,651
Total Dividends per Common Share	1.32	0.965
Total Interest on Holdings Notes	-	19,491
Total Interest per Note Receipt	-	0.263

In view of the decision to reinvest approximately $275 million over the next four to five years in projects consisting principally of replacement of the three older stacker-reclaimers, new shiploader and office redevelopment at the Terminal site, the directors 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 has been holding back some funds, which commenced with the Q2 2013 dividend, by setting a dividend rate of $0.33 per share per quarter. This was the level of distribution paid during all of 2013. Such dividend level is, subject to change based on other opportunities that may come before Westshore, and 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 use insurance recoveries received in respect of lost income from the Berth 1 trestle incident. Westshore will have completed its collection of insurance proceeds from its insurers, which totaled $38.5 million, by April 2014. Recovery efforts on behalf of Westshore and its insurers against the Cape Apricot and its insurers continue. 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.

Outlook

The cash inflows of the Corporation are entirely dependent on Westshore's operating results. They are affected by the volume and mix of coal shipped through the Terminal, the rates charged to customers for 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 variance in revenues from 2013 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 2014 to be higher than in 2013 and at slightly higher rates than in 2013. If Westshore's profit 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.

Related Party Transactions

The Manager provides management services to Westshore pursuant to a management agreement dated December 31, 2010 (the "Management Agreement"). Westshore pays an annual management fee to the Manager and an incentive fee based on a percentage of profit above $42 million, starting at 1.5% and rising to 6%, subject to an annual cap on the incentive fee of $5 million. The annual base management fee is paid in monthly installments, and $979,000 was paid in this regard by Westshore for the twelve month period ended December 31, 2013. The incentive fee for the twelve month period ended December, 31, 2013 was $4,161,000 and was paid subsequent to year-end.

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.

The Manager also provides administration services to the Corporation pursuant to an administration agreement dated December 31, 2010. The Corporation pays an annual administration fee in monthly installments. $335,000 was paid by the Corporation to the Manager for the twelve month period ended December 31, 2013.

Changes in Accounting Policies

The Corporation's accounting policies are found in note 3 of the Corporation's financial statements beginning on page 24.

Amendments to IAS 19 Employee Benefits

The Corporation adopted IAS 19 *Employee Benefits (2011)* with a date of initial application of January 1, 2013 and changed its basis for determining the income or expense related to defined benefit plans as required.

As a result of the change, the Corporation now determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. It

takes into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) comprises:

- Interest cost on the defined benefit obligation; and
- Interest income on plan assets.

Previously, the Corporation determined interest income on plan assets based on their long-term rate of expected return. This net interest is disclosed as a component of financing costs. In addition, the Corporation is now required to recognize past service costs in full immediately in profit or loss.

The change in accounting policy has been applied retrospectively.

The following table summarizes the financial effects on the statement of comprehensive income on implementation of the new accounting policy as compared to amounts previously presented:

		Twelve Months Ended December 31, 2012
Decrease (increase in):		
Operating expenses	$	963
Finance costs, net		(2,672)
Income taxes		428
Profit for the year		1,281
Other comprehensive income		(1,281)
Total comprehensive income for the year	$	-

The change in accounting policy had no impact on net assets as at December 31, 2012 and had an immaterial impact on earnings per share for the comparative period.

Critical Accounting Estimates

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

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

Plant and equipment: Depreciation

Plant and equipment are stated at cost less accumulated depreciation. Cost at the date of transition to IFRS was determined by reference to Canadian GAAP. 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 and are reviewed annually. A change in the estimated useful lives of plant and equipment could result in either a higher or lower depreciation charge to profit for the period.

Asset Retirement Obligations

Westshore is required to recognize the fair value of an estimated asset retirement obligation when a legal 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, the likelihood of realization of deferred tax assets, and the classification of assets for tax purposes.

Future Accounting Standards:

IFRS 9 – Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, changed the mandatory effective date to undetermined. The company will quantify the effect in conjunction with the other phases, when the final standard, including all phases, is issued.

Internal Controls Over Financial Reporting

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

The Chief Executive Officer and Chief Financial Officer of the Corporation have caused to be evaluated under their supervision, the effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2013. 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, 2013 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.

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, 2013 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

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.

(Signed) "*William W. Stinson*"
William W. Stinson
Director

(Signed) "*M. Dallas H. Ross*"
M. Dallas H. Ross
Director

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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, 2013 and 2012, 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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP (signed)

Chartered Accountants

March 18, 2014
Vancouver, Canada

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KPMG Canada provides services to KPMG LLP.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

	Note	December 31, 2013	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents		$ 61,408	$ 43,873
Accounts receivable		18,218	11,247
Inventories		10,439	9,033
Prepaid expenses		1,028	872
		91,093	65,025
Property, plant, and equipment:			
At cost	5	629,499	593,168
Accumulated depreciation		(453,161)	(441,760)
		176,338	151,408
Goodwill		365,541	365,541
Deferred income taxes	8	-	6,423
Other assets	13	22	-
		$ 632,994	$ 588,397
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 37,922	$ 38,817
Income tax payable		17,887	5,353
Dividends payable to shareholders	9	24,503	20,419
		80,312	64,589
Deferred income taxes	8	15,210	-
Employee future benefits	11	62,205	59,780
Revolving credit facility	12	-	30,000
		157,727	154,369
Shareholders' equity (deficit):			
Share capital	9	1,706,265	1,706,265
Deficit		(1,230,998)	(1,272,237)
		475,267	434,028
		$ 632,994	$ 588,397

Subsequent events (note 4)
Commitments (note 15)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

(Signed) "*William W. Stinson*"	(Signed) "*M. Dallas H. Ross*"
William W. Stinson	M. Dallas H. Ross
Director	*Director*

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2013 and 2012

	Note	2013	2012 (restated - note 3)
Revenue:			
Coal loading		$ 286,703	$ 232,442
Other		9,022	8,253
		295,725	240,695
Expenses:			
Operating		132,159	120,638
Administrative		13,229	9,951
		145,388	130,589
Other:			
Foreign exchange gain (loss)		807	(368)
Insurance proceeds	4	32,325	-
Gain on disposal (loss on write-down) of plant and equipment		12	(1,766)
Profit from operating activities		183,481	107,972
Net finance costs	6	3,569	21,967
Profit before income tax		179,912	86,005
Income tax expense	7	46,486	21,348
Profit for the year		133,426	64,657
Other comprehensive income (loss):			
Defined benefit plan actuarial gains (losses)	11	7,869	(3,910)
Income tax recovery (expense) on other comprehensive income (loss)		(2,046)	978
Other comprehensive income (loss) for the year, net of income tax		5,823	(2,932)
Total comprehensive income for the year		$ 139,249	$ 61,725
Profit per share:			
Basic and diluted earnings per share	10	$ 1.80	$ 0.87
Weighted average number of shares outstanding		74,250,016	74,250,016

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2013 and 2012

	Share capital	Deficit (restated-note 3)	Total (restated-note 3)
Balance at January 1, 2012	$ 1,335,015	$ (1,262,311)	$ 72,704
Profit for the year	-	64,657	64,657
Other comprehensive income (loss):			
Defined benefit plan actuarial losses, net of tax	-	(2,932)	(2,932)
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 to shareholders	-	(71,651)	(71,651)
Balance at December 31, 2012	$ 1,706,265	$ (1,272,237)	$ 434,028

	Share capital	Deficit	Total
Balance as at January 1, 2013	$ 1,706,265	$ (1,272,237)	$ 434,028
Profit for the year	-	133,426	133,426
Other comprehensive income (loss):			
Defined benefit plan actuarial gains, net of tax	-	5,823	5,823
Total comprehensive income for the year	-	139,249	139,249
Distributions to shareholders of the Corporation:			
Dividends declared to shareholders	-	(98,010)	(98,010)
Balance at December 31, 2013	$ 1,706,265	$ (1,230,998)	$ 475,267

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2013 and 2012

	2013	2012 (restated-note 3)
Cash provided by (used in):		
Operations:		
Profit for the year	$ 133,426	$ 64,657
Adjustments for:		
Depreciation	11,528	9,870
Employee future benefits liability	7,359	(3,767)
Net finance costs	3,569	21,888
Income tax expense	46,486	21,348
Loss (gain) on disposal of fixed assets	(12)	1,766
	202,356	115,762
Changes in non-cash operating working capital and other:		
Accounts receivable	(6,971)	10,533
Inventories	(1,406)	(725)
Prepaid expenses	(156)	(138)
Accounts payable and accrued liabilities	(3,406)	5,095
	(11,939)	14,765
Income taxes paid	(14,365)	(30,460)
	176,052	100,067
Financing:		
Interest received (paid)	(656)	202
Interest paid to noteholders	-	(29,236)
Dividends paid to shareholders	(93,926)	(60,885)
Drawings on revolving credit facility	40,000	30,000
Repayments on revolving credit facility	(70,000)	-
	(124,582)	(59,919)
Investments:		
Property, plant and equipment, net	(33,935)	(61,863)
	(33,935)	(61,863)
Increase (decrease) in cash and cash equivalents	17,535	(21,714)
Cash and cash equivalents, beginning of the year	43,873	65,587
Cash and cash equivalents, end of the year	$ 61,408	$ 43,873

See accompanying notes to consolidated financial statements.

1. Reporting entity:

The Corporation was incorporated under the *British Columbia Business Corporation Act* on September 28, 2010 and is domiciled in Canada. The registered and head office of the Corporation is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7. The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership ("Westshore"), a partnership established under the laws of British Columbia. Prior to 2011 these units were owned by Westshore Terminals Income Fund.

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.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2013 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 18, 2014.

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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.

2. Basis of preparation (continued):

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

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

(e) Comparative figures:

Certain of the figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current period.

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.

(b) Foreign currency:

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

(c) Financial instruments:

Financial 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.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

Financial liabilities

Financial liabilities of the Corporation are classified as other financial liabilities. Other financial liabilities 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. Other financial liabilities comprise accounts payable and accrued liabilities, dividends payable and the revolving credit facility.

Derivative financial instruments

Changes in fair value of derivative financial instruments not designated in a hedge relationship are recognized immediately in profit or loss.

(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.

3. Significant accounting policies (continued):

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

(*i*) Recognition and measurement (continued):

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

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

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

(*ii*) Depreciation:

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant, and equipment. The estimated useful 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.

3. Significant accounting policies (continued):

(e) Impairment:

Non-Financial assets

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

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

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

Financial assets

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

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

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

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

3. Significant accounting policies (continued):

(f) Goodwill:

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

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

(g) Inventories:

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

(h) Employee benefits:

Defined benefit plans

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

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

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

3. Significant accounting policies (continued):

(h) Employee benefits (continued):

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.

Amendments to IAS 19 Employee Benefits

The Corporation adopted IAS 19 *Employee Benefits (2011)* with a date of initial application of January 1, 2013 and changed its basis for determining the income or expense related to defined benefit plans as required.

As a result of the change, the Corporation now determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. It takes into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) comprises:

- Interest cost on the defined benefit obligation; and
- Interest income on plan assets.

Previously, the Corporation determined interest income on plan assets based on their long-term rate of expected return. This net interest is disclosed as a component of financing costs. In addition, the Corporation is now required to recognize past service costs in full immediately in profit or loss.

The change in accounting policy has been applied retrospectively.

3. Significant accounting policies (continued):

(h) Employee benefits (continued):

The following table summarizes the financial effects on the statement of comprehensive income on implementation of the new accounting policy as compared to amounts previously presented:

		Twelve Months Ended December 31, 2012
Decrease (increase in):		
Operating expenses	$	963
Finance costs, net		(2,672)
Income taxes		428
Profit for the year		1,281
Other comprehensive income		(1,281)
Total comprehensive income for the year	$	-

The change in accounting policy had no impact on net assets as at December 31, 2012 and had an immaterial impact on earnings per share for the comparative period.

(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.

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 remote.

3. Significant accounting policies (continued):

(k) Income tax:

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

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

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

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

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

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

(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, 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Corporation.

IFRS 9 – Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, change the mandatory effective date to undetermined. The company will quantify the effect in conjunction with the other phases, when the final standard, including all phases, is issued.

4. Insurance proceeds:

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 2013, with final repairs to the road-way on the trestle completed in April 2013. $32.3 million has been recovered to December 31, 2013 from the Corporation's insurers.

4. Insurance proceeds (continued):

Subsequent to year end, an additional $6.2 million has been agreed to with the Corporation's insurers and is expected to be received by April 2014. Efforts on behalf of the Corporation and its insurers to recover losses from the ship's owners and insurers are ongoing.

5. Plant and equipment:

	Buildings and land improvements	Machinery and equipment	Construction in progress	Total
Cost:				
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
Additions	5,786	-	30,678	36,464
Transfers	-	29,625	(29,625)	-
Disposals	-	(134)	-	(134)
Balance at December 31, 2013	$ 40,805	$ 581,930	$ 6,764	$ 629,499
Accumulated depreciation:				
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
Depreciation for the year	1,026	10,502	-	11,528
Disposals	-	(127)	-	(127)
Balance at December 31, 2013	$ 31,944	$ 421,217	$ -	$ 453,161
Carrying amounts:				
At December 31, 2012	$ 4,101	$ 141,596	$ 5,711	$ 151,408
At December 31, 2013	8,861	160,713	6,764	176,338

[1] The capitalization rate for 2012 was 3.0% and depreciation was recorded in operating expenses on the consolidated statements of comprehensive income.

6. Finance costs:

	2013	2012 (restated - note 3)
Interest expense (income), net	$ 656	$ (196)
Employee benefit interest expense, net	2,935	2,672
Interest accrued to noteholders	-	19,491
Unrealized gain on interest rate hedging contracts	(22)	-
Net finance costs	$ 3,569	$ 21,967

During the year ended December 31, 2013, the Corporation has capitalized $ nil (2012 – $ 473,000) of interest expense to property, plant and equipment.

7. Income tax expense:

	2013	2012 (restated - note 3)
Tax expense recognized in profit		
Current income tax expense	$ 26,899	$ 20,407
Deferred tax expense	19,587	941
	46,486	21,348
Tax expense (recovery) recognized directly in equity		
Defined benefit plans	(2,046)	978

	2013	2012 (restated - note 3)
Reconciliation of effective tax rate:		
Profit before income tax	$ 179,912	$ 86,006
Statutory rate	25.75%	25.00%
Expected income tax expense	46,327	21,501
Permanent differences	50	25
Rate changes	467	-
Other	(358)	(178)
Actual income tax expense	$ 46,486	$ 21,348

8. Deferred tax assets and liabilities:

	December 31, 2013	December 31, 2012
Deferred tax assets:		
Non-pension defined benefits liability	$ 15,151	$ 12,584
Pension defined benefits liability	1,023	2,361
Financing fees	2	2
Non-capital loss carryfowards	-	1,600
Total assets	16,176	16,547
Deferred tax liabilities:		
Property, plant and equipment	(31,380)	(10,124)
Hedging contracts	(6)	-
Total liabilities	(31,386)	(10,124)
Net deferred income tax assets (liabilities)	$ (15,210)	$ 6,423

9. Share capital:

Authorized:

Unlimited number of common shares, no par value.

Issued:

	Common shares	
	2013	2012
74,250,016 issued and outstanding common shares	$ 1,706,265	$ 1,706,265

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

The Corporation has declared dividends of $98,010,000 ($1.32 per share) in equal quarterly amounts in 2013 (2012 - $71,651,000 or $0.965 per share).

10. Profit per share:

Earnings per share:

The calculation of basic profit per share for the year ended December 31, 2013 was based on profit attributable to shareholders and a weighted average number of common shares outstanding.

	2013	2012 (restated - note 3)
Profit for the year	$ 133,426	$ 64,657
Weighted average number of common shares outstanding	74,250,016	74,250,016
Basic and diluted earnings per share	1.80	0.87

11. Employee benefits:

	December 31, 2013	December 31, 2012
Present value of unfunded obligations	$ 58,272	$ 50,336
Present value of funded obligations	98,044	91,866
Total present value of obligations	156,316	142,202
Fair value of plan assets	(94,111)	(82,422)
Recognized liability for defined benefit obligations	$ 62,205	$ 59,780

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.

11. Employee benefits (continued):

Plan Assets:

Plan assets are comprised of the following investments:

	2013	2012
Equity securities	$ 67,011	$ 56,292
Fixed income securities	24,806	23,505
Cash and cash equivalents	2,294	2,625
	$ 94,111	$ 82,422

	2013	2012
Actual return on plan assets	$ 13,134	$ 7,827

Asset and Liability Movements:

Movement in the present value of the defined benefit obligations	Pension obligations		Other post retirement benefits	
	2013	2012	2013	2012
Defined benefit obligation at January 1	$ 91,866	$ 85,471	$ 50,336	$ 44,952
Benefits paid by the plan	(5,254)	(4,414)	(1,278)	(1,447)
Current and past service costs and interest (see below)	11,383	5,798	7,470	3,621
Actuarial losses in other comprehensive income (see below)	49	5,011	1,744	3,210
Defined benefit obligations at December 31	$ 98,044	$ 91,866	$ 58,272	$ 50,336

The discount rate used to calculate the benefit obligations increased from 4.25% as at December 31, 2012 to 4.50% as at December 31, 2013.

11. Employee benefits (continued):

Asset and Liability Movements (continued):

Movement in the fair value of the defined benefit plan assets	Pension assets		Other post retirement benefits	
	2013	2012	2013	2012
Fair value of plan assets at January 1	$ 82,422	$ 73,458	$ -	$ -
Contributions paid into the plan	4,056	5,772	1,278	1,447
Benefits paid by the plan	(5,254)	(4,414)	(1,278)	(1,447)
Expected return on plan assets (see below)	3,472	3,516	-	-
Non-investment expense (see below)	(247)	(221)	-	-
Actuarial gains in other comprehensive income (see below)	9,662	4,311	-	-
Fair value of plan assets at December 31	$ 94,111	$ 82,422	$ -	$ -

Profit and Loss:

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

Pension obligations expense recognized in profit and loss	2013	2012 (restated - note 3)
Service costs:		
Current service costs	$ 1,691	$ 1,399
Past service costs	5,615	378
Non-investment expenses	247	221
	7,553	1,998
Net interest costs		
Interest cost	4,077	4,021
Expected return on plan assets	(3,472)	(3,516)
	605	505
	$ 8,158	$ 2,503

11. Employee benefits (continued):

Profit and Loss (continued):

Other post retirement benefits expense recognized in profit and loss	2013	2012 (restated - note 3)
Current service costs	$ 1,661	$ 1,400
Past service costs	3,479	54
Interest costs	2,330	2,167
	$ 7,470	$ 3,621

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

Actuarial gains (losses) recognized in other comprehensive income	2013	2012
Cumulative amount at beginning of year	$ (19,399)	$ (15,489)
Recognized during the year	7,869	(3,910)
Cumulative amount at December 31	$ (11,530)	$ (19,399)

Funding and Assumptions:

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

As at December 31, 2013, the Corporation estimated that it will make contributions of $5,059,000 to its pension plan in 2014 based on the last actuarial valuation for funding purposes and $1,324,000 to its other benefit plan in 2014.

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

11. Employee benefits (continued):

Funding and Assumptions (continued):

	Most recent valuation date	Date of next required valuation
Union Pension plan	January 1, 2013	January 1, 2014
Salaried Retirement plan	January 1, 2013	January 1, 2016

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):

	2013		2012	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit obligations:				
Discount rate at December 31	4.50%	4.50%	4.25%	4.25%
Rate of increase in future compensation	3.00%	-	3.00%	-
Benefit costs:				
Discount rate at January 1	4.25%	4.25%	4.75%	4.75%
Rate of increase in future compensation	3.50%	3.50%	3.50%	3.50%
Expected long-term rate of return on plan assets	4.25%	-	4.75%	-

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

For measurement purposes, an 8% per annum increase in the per capita cost of covered extended health care benefits was assumed for 2014, grading down by 0.50% per annum to 4.50% in 2023. The per annum increase in the per capita cost of medical service plan is 4.00%. The annual rate of increase in the per capita cost of dental benefits is 4.00%.

11. Employee benefits (continued):

Sensitivity Analysis:

Assumed discount rates and medical cost trend rates have a significant effect on the accrued benefit obligation. A one percentage point change in these assumptions would have the following effects on the accrued benefit obligation for 2013:

	1% decrease	1% increase
Pension benefit plans		
Discount rate	$ 11,082	$ (11,082)
Other post retirement benefit plans		
Discount rate	8,905	(8,905)
Initial medical cost trend rate	(7,547)	9,326

12. 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.

	December 31, 2013	December 31, 2012
Non-current liabilities:		
Revolving credit facility	$ -	$ 30,000
	$ -	$ 30,000

The Corporation has an operating facility of $15 million, which has an $11,753,000 letter of credit outstanding against it (see note 15) at December 31, 2013. The term of this operating facility expires in August 2014.

The Corporation has a $50 million revolving credit facility to be utilized for capital expenditures and investments, none of which was drawn at December 31, 2013. The credit facility has a term ending August 31, 2016, and is secured by a pledge of all of the assets of the Corporation. The revolving credit facility bears interest at the 1 month BA rate plus a margin and no repayments are required until maturity.

Under its credit facilities, the Corporation is required to comply with certain financial covenants. At December 31, 2013, the Corporation was in compliance with these financial covenants.

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

13. Financial instruments:

The carrying amounts of financial assets and liabilities reported in the consolidated statement of financial position approximate their fair values.

Financial instruments carried at fair value, by the levels in the fair value hierarchy, are as follows:

		Fair value measurement at reporting date using:		
	December 31, 2013	Quoted prices in active markets identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets (liabilities):				
Derivative instruments:				
Interest rate hedging contracts	$ 22	$ -	$ 22	$ -

On May 7, 2013, the Corporation entered into two interest rate swaps, each with notional value of $15,000,000 and maturing on August 31, 2016. Under the terms of the swaps, the Corporation pays an amount based on a fixed annual interest rate of 1.56% and 1.46% respectively, and receives a 1 month BA CDOR which is recalculated at set interval dates.

As these interest rate swaps have not been designated as hedges, the fair value of these interest rate swaps at December 31, 2013, being an asset of $22,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in other assets and a gain of $22,000 has been recognized in net finance costs for the period ended December 31, 2013.

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

14. Operating leases:

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

The Corporation's terminal site is leased from the Vancouver Fraser Port Authority. The term of the lease is until December 31, 2026 with the Corporation having further options to extend the term to December 31, 2051. Charges payable by the Corporation under the lease comprise an annual base land and waterlot rental fee of $5,207,000 (2012 - $5,207,000) and an annual participation rental fee based on the volume of coal shipped. A minimum participation rental fee of $6,494,000 (2012 - $6,494,000) is charged based on a minimum annual tonnage (MAT) of 17.6 million tonnes. A higher participation rental fee per tonne is charged on tonnage in excess of the MAT. In 2013, the Corporation paid $9,870,000 (2012 - $7,962,000) in relation to the higher participation rental fee.

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
2014	$ 11,701	$ 290	$ 11,991
2015	11,701	-	11,701
2016	11,701	-	11,701
2017	11,701	-	11,701
2018	11,701	-	11,701
Thereafter	93,607	-	93,607

15. Commitments:

The Corporation has provided a letter of credit of $11,753,000 (December 31, 2012: $4,080,000).

The Corporation has commitments of $4,111,000 with respect to equipment purchases that are to be delivered and paid for in the next 12 months.

16. Major Customers:

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

	2013	2012
Teck Coal Partnership	56%	57%
Other customer A	14%	14%
Other customer B	17%	12%

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.

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. The Corporation does not have any collateral or security for its receivables. The Corporation monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2013 and 2012, 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:

		2013		2012
Cash and cash equivalents	$	61,408	$	43,873
Accounts receivable		18,218		11,247
Other assets - interest rate contracts		22		-
	$	79,648	$	55,120

(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 and dividends payable to shareholders, have a contractual maturity of less than 1 year. The Corporation also has interest rate swaps with a notional value of $30 million outstanding at December 31, 2013.

The Corporation also maintains a $15 million operating facility that can be drawn down to meet short term financing needs. This facility was not used during the year and remained undrawn at December 31, 2013, although the Corporation has an outstanding letter of credit for $11,753,000.

The Corporation has a $50 million revolving credit facility to be utilized for capital expenditures and investments, none of which was drawn at December 31, 2013. The credit facility has a term ending August 31, 2016, and is secured by a pledge of all of the assets of the Corporation. The revolving credit facility bears interest at the 1 month BA rate plus a margin and no repayments are required until maturity.

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, 2013, the Corporation held US$12.1 million (2012 – 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 $121,000 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, 2013 was $2,450,000 (2012 - $49,000).

The Corporation does not have any outstanding foreign currency contracts at December 31, 2013.

(*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 credit facility. The revolving credit facility carries an interest rate that floats with market rates.

The Corporation has two outstanding interest rate swaps at December 31, 2013. The fair market value of the Corporations interest rate swaps is an asset of $22,000. It has been recorded in other assets and a gain of $22,000 has been recognized in net finance costs for the year ended December 31, 2013.

18. Capital management:

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

The objective of the Corporation is to maintain a stable capital base and ensure that the capital structure does not interfere with the Corporation's ability to meet its distribution policy or fund future projects. The Corporation expects to declare and pay dividends to holders of its Common Shares equal to $0.33 per share per quarter on the basis that the Corporation handles approximately 30 million tonnes of coal or more annually under the existing customer agreements. This approach will be reviewed on a regular basis. 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.

19. Related party transactions:

	2013	2012
Administration agreement		
Westar Management Ltd.	$ 335	$ 325
Management agreement:		
Westar Management Ltd. - base fee	979	950
Management agreement:		
Westar Management Ltd. - Incentive fee	4,161	1,939
Vehicle leases:		
Affiliate of Westar Management Ltd.	508	417
Director fees:		
Director fees	390	308

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; Chariman, Canfor Corporation and Canfor Pulp Products Inc.

Brian A. Canfield
Chair, TELUS Corporation

Doug Souter
Corporate Director

Glen Clark
President, The Jim Pattison Group

Officers

William W. Stinson
Chairman, Chief Executive Officer &President

M. Dallas H. Ross
Chief Financial Officer

Nick Desmarais
Secretary & Vice President of Corporate Development

Stock Exchange Listing

Toronto Stock Exchange

Trading Symbol

WTE

Registrar and Transfer Agent

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Glen Clark
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Gordon Gibson
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Michael J. Korenberg
Director

Doug Souter
Director

Brian A. Canfield
Director

Denis Horgan
Vice-President & General Manager

Nick Desmarais
Secretary