



**WESTSHORE TERMINALS
INVESTMENT CORPORATION**

ANNUAL REPORT

2021

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

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Financial Highlights

<i>(In thousands of Canadian dollars except tonnage and share amounts)</i>	2021		2020	
Tonnage (in thousands)		28,855		29,267
Coal loading revenue	\$	332,566	\$	353,568
Profit before taxes	\$	147,663	\$	173,927
Profit for the year	\$	107,813	\$	126,916
Profit for the year per share	\$	1.70	\$	1.96
Dividends declared	\$	88,561	\$	41,198
Dividends declared per share	\$	1.40	\$	0.64
Funds applied to repurchase shares	\$	1,817	\$	46,744
Average price paid per repurchased share	\$	15.53	\$	15.53
Shares outstanding at December 31		63,257,835		63,391,535
Share Trading Statistics				
High	\$	28.90	\$	19.12
Low	\$	15.21	\$	11.88
Close	\$	27.09	\$	15.59
Annual Volume		47,921,100		60,454,581



Westshore Terminals Investment Corporation

Directors' Letter and Report to Shareholders

Dear Shareholder:

Westshore had a successful year in 2021, shipping 28.9 million tonnes despite some unprecedented challenges. Westshore, the mines, and the railways, were impacted by forest fires, flooding, land slides, extreme winter conditions, and of course COVID-19 persisting throughout the year.

Our throughput volume was significantly higher than our initial forecast of 21 million tonnes. We secured a higher-volume contract with Coalspur that triggered in Q2 and commenced shipments for an additional US customer in Q3. Additionally, all of our other customers shipped more than initially forecasted primarily due to robust prices for both metallurgical and thermal coal.

Total revenues of \$340.5 million compares to 2020 revenues of \$368.4 million and reflect somewhat reduced volumes and throughput rates. Profit before taxes of \$147.7 million was down 15% from \$173.9 million in 2020, and after-tax profit per share decreased by 13.3%.

In 2021 Westshore entered into an agreement with BHP to handle potash from their Jansen Mine in Saskatchewan. The diversification to handling multi-commodities is transformational for our business and will provide an additional revenue stream once shipments of potash commence in late 2026 or early 2027. The details of the agreement were disclosed in earlier reports.

At as January 31, 2022, our labour agreements with the International Longshore and Warehouse Union (ILWU) expired. Negotiations for a new agreement with Local 502 are in progress, and the other two Locals (514 and 517) will follow.

The Corporation renewed its normal course issuer bid (“NCIB”) effective April 13, 2021 for another year, allowing it to acquire up to 3,162,891 common shares until April 12, 2022. During 2021, 117,000 common shares were purchased for a total of \$1.8 million. In 2020, 3,009,912 common shares were purchased for a total of \$46.7 million, of which 16,700 common shares at a cost of \$0.3 million were settled in 2021.

The Corporation increased its regular quarterly dividends to shareholders twice in 2021, from \$0.16/share to \$0.20/share in Q1, and then from \$0.20/share to \$0.25/share commencing Q3. We also paid a special dividend in Q1 of \$0.50/share.

In view of the stronger than expected results in 2021, which we expect to carry into 2022, and having renegotiated contracts in place with key customers, the board of directors have determined to increase the regular quarterly dividend to \$0.30/share and pay a special dividend of \$1.50/share, payable to shareholders on record as of March 31, 2022.

The Corporation is publishing its first annual ESG (Environmental, Social, and Governance) report for 2021, which will be available on the Corporation’s website in conjunction with this report.

For the Board of Directors,
(Signed) “William Stinson”

William Stinson
Chairman of the Board of Directors

Vancouver, B.C.
March 11, 2022



Westshore Terminals Investment Corporation

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

The following discussion and analysis should be read in conjunction with information contained in the Consolidated Financial Statements of Westshore Terminals Investment Corporation (“the Corporation”) and the notes thereto for the year ended December 31, 2021. 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 11, 2022.

All amounts are presented in Canadian dollars unless otherwise noted.

Caution Concerning Forward-Looking Statements

This MD&A contains certain forward-looking statements, which reflect the current expectations of the Corporation and Westshore with respect to future events and performance. Forward-looking statements are based on information available at the time they are made, assumptions by management, and management's good faith belief with respect to future events. They speak only as of the date of this MD&A, and are subject to inherent risks and uncertainties, including those risk factors outlined in the Annual Information Form of the Corporation filed on www.sedar.com, 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 regarding expected results, including future revenues, loading rates, strength of markets for metallurgical and thermal coal, throughput volumes, distribution of throughput by customer, and thermal coal representing a higher percentage of shipments at least through 2022; the absence of material impacts related to COVID-19; the timing of commencement of construction of potash infrastructure and shipments of potash; repayment and renewal of the operating facility; the absence of liquidity concerns; the effect of the Canadian/US dollar exchange rate; labour agreement negotiations; the future cost of post-retirement benefits including the impact of interest rates; assumptions in connection with critical accounting estimates; and the anticipated level of dividends and share repurchases.

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



Westshore Terminals Investment Corporation

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

General

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

The Corporation derives its cash inflows from its investment in Westshore by way of distributions on Westshore’s limited partnership units. Westshore operates a coal storage and loading terminal at Roberts Bank, British Columbia (the “Terminal”). Westshore’s operating revenues are derived from rates charged for loading coal onto seagoing vessels. Westshore will soon commence significant capital upgrades to the Terminal to allow it to handle potash for BHP Canada Inc., a subsidiary of BHP Group (“BHP”).

Westshore’s results are affected by various factors, including the volume of coal shipped by each customer, and their contracted rate per tonne, as well as Westshore’s operating costs. Customer contracts continue to provide fixed volume commitments at fixed rates for a significant portion of the Terminal’s estimated capacity.

This MD&A has been prepared by the Corporation to accompany the financial statements of the Corporation for the financial year ended December 31, 2021.

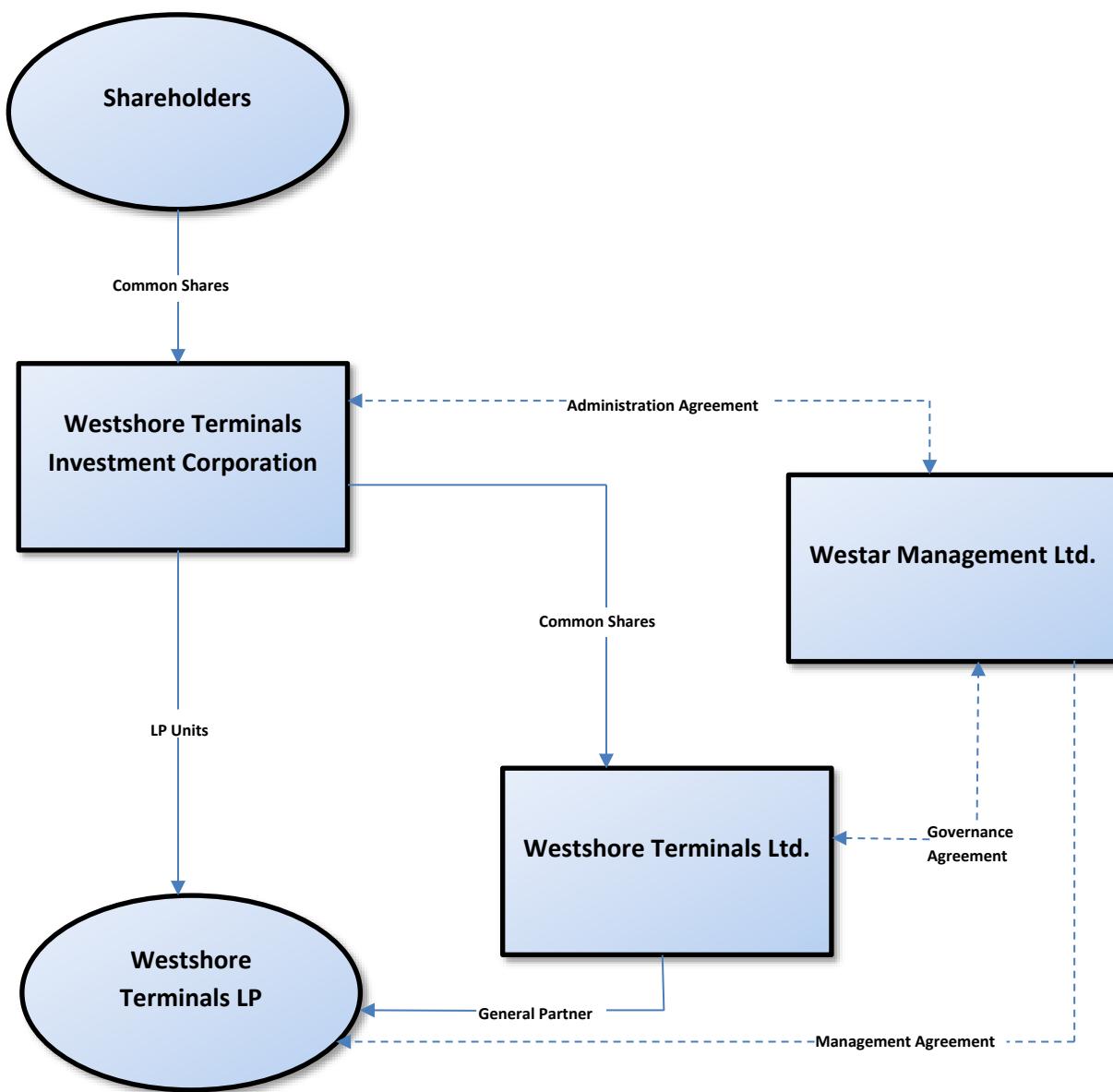


Westshore Terminals Investment Corporation

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Structure

The following chart illustrates the Corporation's primary structural relationships. The Corporation holds all of the limited partnership units of Westshore and all of the common shares of Westshore Terminals Ltd. (the "General Partner"), the general partner of Westshore. Westar Management Ltd. (the "Manager") provides management services to Westshore and administrative services to the Corporation and appoints three of the eight directors of the General Partner. Details of these arrangements will be included in the Information Circular for the Corporation's 2022 Annual Meeting.





Westshore Terminals Investment Corporation

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Selected Financial Information

The following financial data is derived from the Corporation's audited consolidated financial statements for the years ended December 31, 2021, 2020 and 2019, which were prepared in Canadian dollars using IFRS.

<i>(In thousands of Canadian dollars except per share amounts and where noted)</i>	2021	2020	2019
	\$	\$	\$
Tonnage (000 tonnes)	28,855	29,267	31,033
Revenue	340,471	368,410	395,422
Profit before taxes	147,663	173,927	190,998
Profit for the year	107,813	126,916	139,385
Profit for the year per share ⁽¹⁾	1.70	1.96	2.09
Dividends declared	88,561	41,198	42,650
Dividends declared per share	1.40	0.64	0.64
Total assets	1,296,852	1,251,400	1,207,307
Total long term liabilities	412,915	434,305	420,882

(1) The weighted average number of Common Shares outstanding for 2021 was 63,261,184, for 2020 was 64,673,615, and for 2019 was 66,724,299.

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

<i>(In thousands of Canadian dollars except per share amounts and where noted)</i>	Three Months Ended			
	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
	\$	\$	\$	\$
Tonnage (000 tonnes)	6,460	7,449	6,913	8,033
Revenue	84,674	86,016	78,452	91,329
Profit before taxes	34,614	39,213	33,353	40,483
Profit for the period	25,288	28,623	24,347	29,553
Profit for the period per share	0.40	0.45	0.39	0.47
Dividends declared	15,814	15,814	12,652	44,281
Dividends declared per share	0.25	0.25	0.20	0.70
Shares repurchased (000 shares)	-	-	-	117
Cost of shares repurchased	-	-	-	1,817



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

	Three Months Ended			
	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
	\$	\$	\$	\$
Tonnage (000 tonnes)	7,087	6,786	7,683	7,711
Revenue	89,773	89,449	96,816	92,372
Profit before taxes	42,335	44,266	47,484	39,842
Profit for the period	30,884	32,305	34,653	29,074
Profit for the period per share	0.49	0.50	0.53	0.44
Dividends declared	10,142	10,237	10,378	10,441
Dividends declared per share	0.16	0.16	0.16	0.16
Shares repurchased (000 shares)	542	947	301	1,220
Cost of shares repurchased	7,980	15,216	4,025	19,523

Summary Description of Business

General

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

Coal is delivered to the Terminal in unit trains operated by Canadian Pacific Railway, BNSF Railway, and Canadian National Railway. The product is unloaded and either directly loaded onto a ship or stockpiled for future ship loading. The loaded ships are destined around the globe to approximately 13 different countries, with the largest volumes being shipped to Asia, and as more specifically set out in the table below.

Westshore will soon commence significant capital upgrades to the Terminal to allow it to handle potash for BHP. Westshore's agreement with BHP provides that the potash infrastructure will be available in 2026.



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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)

	2021 Tonnes	2021 %	2020 Tonnes	2020 %	2019 Tonnes	2019 %
Japan	10,640	37	8,743	30	8,301	27
South Korea	9,196	32	8,578	29	10,456	34
China and Hong Kong	3,767	13	3,399	12	3,126	10
India	1,637	6	3,046	10	3,599	11
Europe	1,299	4	2,697	9	2,444	8
Taiwan	1,110	4	1,324	5	1,745	6
S. America	1,041	3	709	2	264	1
Other	165	1	441	2	470	1
Vietnam	-	-	330	1	628	2
Total	28,855	100	29,267	100	31,033	100

During 2021, 46% of Westshore's volume was steel making coal (66% in 2020) and 54% was thermal coal (34% in 2020). Westshore expects that thermal coal will continue to represent a higher percentage of shipments at least through 2022.

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

Customer Contracts

Westshore operates under term contracts with its customers. In 2021, Westshore shipped product for six different customers. Current contracts with Westshore's four largest customers, which in 2021 accounted for 94% of Westshore's throughput, have remaining terms of three years or longer.

On February 2, 2021, Westshore and Teck Coal Limited ("Teck") entered into a new agreement which provides that Teck will ship between five and seven million tonnes of coal annually at fixed rates. Unless Teck elects to extend the term of the agreement, to a term up to the end of 2027, the agreement will terminate once Teck has shipped 33 million tonnes under the agreement. As at December 31, 2021, Teck has shipped approximately 8 million tonnes under the agreement.

Over the course of 2021, Westshore entered into coal shipping agreements with Coalspur Mines (Operations) Ltd. ("Coalspur"), Arch Coal Asia-Pacific Pte Ltd., Global Coal Sales Group, LLC ("Global") and CST Canada Coal Limited. The agreement with Coalspur has a term of four years and provides for fixed rates and increased minimum annual throughput, while providing Coalspur with flexibility to ship above the minimum volume. The agreement with Global provides for minimum annual throughput, with flexibility to ship above the minimum, a fixed loading rate with annual



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escalation and a maximum term to the end of 2035, with Global having termination rights that are exercisable periodically throughout the term.

In August 2021 Westshore entered into an agreement with BHP to provide port services to BHP's Jansen Potash Mine in Saskatchewan. Pursuant to the agreement, Westshore is required to construct the necessary infrastructure at the Terminal to enable it to handle potash, with BHP substantially funding the construction. The agreement provides for a shipping term commencing in 2026 and running until 2051, which is subject to extension, minimum annual throughput and a fixed loading rate that is indexed annually to changes in CPI.

Labour

All three collective agreements between Westshore and union locals 502, 514, & 517 of the International Longshore and Warehouse Union expired on January 31, 2022, being the end of the two year term of the most recent agreements. Negotiations are underway with Local 502 and negotiations with the other two Locals (514 and 517) will follow.

Results of Operations

<i>(In thousands of Canadian dollars)</i>	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Revenue:				
Coal loading	82,192	86,791	332,566	353,568
Other	2,482	2,982	7,905	14,842
	84,674	89,773	340,471	368,410
Expenses:				
Operating	43,646	40,543	168,154	167,839
Administrative	3,803	4,279	14,983	16,370
	47,449	44,822	183,137	184,209
Other:				
Foreign exchange gain (loss)	36	(61)	871	(229)
Gain on disposal of property, plant and equipment	-	1	116	25
Net finance costs	(2,647)	(2,556)	(10,658)	(10,070)
Profit before income tax	34,614	42,335	147,663	173,927
Income tax expense	9,326	11,451	39,850	47,011
Profit for the period	25,288	30,884	107,813	126,916
Other comprehensive income (loss), net of income tax:	280	5,802	30,459	(8,233)
Total comprehensive income for the period	25,568	36,686	138,272	118,683



Westshore Terminals Investment Corporation

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Quarterly analysis.

Tonnage shipped for Q4 2021 was 6.5 million tonnes compared to 7.1 million tonnes for the same period in 2020. Lower volumes in Q4 resulted primarily from adverse weather conditions (floods, landslides and extreme cold) that impacted Westshore's performance at the Terminal and limited Westshore's customers' ability to deliver coal to the Terminal. Of the tonnes shipped in Q4 2021, 29% was metallurgical coal and 71% was thermal coal, compared to 72% and 28% respectively for the same period in the prior year. Westshore expects that thermal coal will continue to represent a higher percentage of shipments at least through 2022.

Coal loading revenue decreased by 5.3% to \$82.2 million for Q4 2021 compared to \$86.8 million for the same period in 2020. Volumes were down 8.8% for the quarter (year over year) while the average loading rate in Q4 2021 was \$12.72 per tonne compared to \$12.25 per tonne through the same period in 2020. The increased average loading rate in Q4 2021 was primarily driven by higher sale prices for coal realized by certain customers whose contracts with Westshore provided for limited increase to the loading charge tied to the sale price.

Other revenue, totalling \$2.5 million in Q4, consisted of \$0.6 million of customer shortfall payments with the remainder primarily being wharfage fees. Other revenue for the same period in 2020 was \$3.0 million and consisted of \$1.1 million of customer shortfall payments with the remainder primarily being wharfage fees.

Operating and administrative expenses increased by 5.9% to \$47.4 million for Q4 2021 compared to \$44.8 million for the same period in 2020.

Net finance costs were consistent at \$2.6 million for both years. The net interest cost components of the employee benefit plan expense, and the right-of-use capital lease interest costs are recorded in net finance costs.

Income tax expense decreased to \$9.3 million in Q4 2021 from \$11.5 million in Q4 2020 due to lower profits before taxes.

Profit in the quarter decreased to \$25.3 million in Q4 2021 from \$30.9 million during the same period of 2020, primarily as a result of the lower revenues and increased expenses.

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

After-tax other comprehensive income for the fourth quarter decreased to \$0.3 million in 2021 from \$5.8 million in 2020. The change in the fourth quarter of 2021 was primarily caused by plan assets performing better than actuarial expectations, which was mostly offset by a 0.25% decrease in the discount rate which increased the post-retirement obligations. The change in the fourth quarter of 2020 was caused by plan assets performing better than actuarial expectations.



Westshore Terminals Investment Corporation

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

Full year analysis

Tonnage shipped in 2021 was 28.9 million tonnes compared to 29.3 million tonnes in 2020. Of the tonnes shipped in 2021, 46% was metallurgical coal and 54% was thermal coal, compared to 66% and 33% respectively for 2020.

Coal loading revenue decreased by 5.9% to \$332.6 million in 2021 from \$353.6 million in 2020. Volumes were down 1.4% year over year and the average loading rate for 2021 was \$11.53 per tonne compared to \$12.08 per tonne for 2020.

Other revenue of \$7.9 million primarily consisted of wharfage income. Other revenue for the same period in 2020 was \$14.8 million, which consisted of \$6.7 million of customer shortfall payments with the remainder primarily being wharfage income.

Operating and administrative expenses decreased by 0.6% to \$183.1 million compared to \$184.2 million for the same period in 2020.

Net finance costs increased to \$10.7 million in 2021 from \$10.1 million in 2020, as a result of higher interest expense on the employee benefit plan expense and lower interest income on excess cash. The net interest cost components of the employee benefit plan expense, and the right-of-use capital lease interest costs are recorded in net finance costs.

Income tax expense decreased to \$39.9 million in 2021 from \$47.0 million in 2020 due to lower profits before taxes.

Profit decreased to \$107.8 million in 2021 from \$126.9 million in 2020. On a per share basis this is a decrease of 13.3% at \$1.70 in 2021 compared to \$1.96 in 2020.

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

After tax other comprehensive income (loss) increased to an income of \$30.5 million in 2021 from a loss of \$8.2 million in 2020. The change in 2021 was caused by a 0.50% increase in the discount rate which decreased the post-retirement obligations. Plan assets also performed better than actuarial expectations. The change in 2020 was caused by a 0.50% decrease in the discount rate which increased the post-retirement obligations, which was partially offset by plan assets performing better than actuarial expectations.



Westshore Terminals Investment Corporation

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

Cash Flows

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

<i>(In thousands of Canadian dollars)</i>	Three Months Ended		Years Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	\$	\$	\$	\$
Operating cash flows before working capital changes, lease obligation interest and income tax payments	46,461	54,331	193,772	215,622
Working capital changes	16,008	8,959	(3,113)	4,806
Lease obligation interest paid	(2,259)	(2,280)	(9,037)	(9,119)
Income tax paid	(10,425)	(9,825)	(45,051)	(34,915)
Cash flows provided by operations	49,785	51,185	136,571	176,394
Cash flows used in financing activities	(16,122)	(19,167)	(86,399)	(90,749)
Cash flow provided by (used in) investing activities	276	(3,020)	(8,113)	(16,071)
Increase in cash and cash equivalents	33,939	28,998	42,059	69,574

Quarterly analysis

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments for the fourth quarter decreased by 14% to \$46.5 million in 2021 from \$54.3 million for the same period in 2020. Working capital changes in the fourth quarter resulted in a \$16.0 million inflow in 2021 compared to a \$9.0 million inflow for the same period in 2020, primarily due to change in accounts payable and deferred revenue which fluctuates depending on timing of payments. Income tax payments in the fourth quarter increased to \$10.4 million in 2021 from \$9.8 million for the same period in 2020. Cash flow from operations in the fourth quarter decreased to \$49.8 million in 2021 from \$51.2 million for the same period in 2020.

Cash used in financing activities for the fourth quarter decreased to \$16.1 million in 2021 from \$19.2 million for the same period in 2020. No shares were repurchased under the NCIB during Q4 2021. For Q4 2020, 541,377 shares were purchased under its NCIB for approximately \$8.0 million of which \$0.3 million remained unpaid at period end due to the timing of settlements. During Q4 2020, the Corporation also paid \$1.0 million for shares repurchased at the end of the previous quarter, resulting in a total cash outflow of \$8.7 million for the share buybacks. Regular dividends paid to shareholders in the quarter increased compared to 2020 due to the increase in the quarterly dividend. The Q3 dividend, paid in the fourth quarter, increased from \$0.16/share in Q3 2020 to \$0.25/share in Q3 2021.



Westshore Terminals Investment Corporation

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Full year analysis

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments decreased by 10% to \$193.8 million in 2021 from \$215.6 million in 2020. Working capital changes resulted in a \$3.1 million outflow in 2021 compared to a \$4.8 million inflow in 2020, primarily due to changes in accounts receivables, deferred revenue, and accounts payable which fluctuate depending on the timing of receipts and payments. Lease obligation interest payments are marginally lower as the lease liability is paid down. Income tax payments increased to \$45.1 million in 2021 from \$34.9 million in 2020. Tax payments in 2021 included a catch up payment for the prior tax year. Cash flow from operations decreased to \$136.6 million in 2021 from \$176.4 million in 2020.

Cash flows used in financing activities decreased to \$86.4 million in 2021 from \$90.7 million in 2020. In 2021, the majority of these funds were used to pay dividends rather than repurchase shares under the Corporation's normal course issuer bid. Regular dividends paid to shareholders increased in two stages from \$0.64/share in 2020 to \$0.90/share in 2021. In addition, a \$31.6 million special dividend (\$0.50/share) was declared in Q1 2021 and paid in Q2 2021. For the year ended December 31, 2021, the Corporation purchased 117,000 shares under its NCIB for approximately \$1.8 million. The Corporation also paid \$0.3 million for shares repurchased at the end of the previous year, resulting in a total cash outflow of \$2.1 million for share buybacks. For the year ended December 31, 2020, 3,009,912 shares were purchased for approximately \$46.7 million of which \$0.3 million remained unpaid at period end due to the timing of settlements. The Corporation also paid \$1.7 million for shares repurchased at the end of the previous year, resulting in a total cash outflow of \$48.2 million for share buybacks.

Cash flow provided by (used in) investing activities decreased to \$8.1 million in 2021 from \$16.1 million in 2020 primarily driven from a decrease in capital expenditures. At the end of the quarter, \$2.1 million had been incurred in capital expenditures but was not yet paid for.

Liquidity and Capital Resources

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. Pursuant to the agreement with BHP, BHP is required to substantially fund the potash capital improvements Westshore will undertake. As a result, the Corporation does not anticipate any liquidity concerns with the ongoing operations of Westshore.

Westshore has a \$40 million operating facility that is primarily used for a letter of credit related to pension funding and day to day operational liquidity. The facility matures on August 30, 2022, and is secured by a pledge of all the assets of Westshore. The operating facility bears interest at the 1-month BA rate plus a margin and no repayments will be required until maturity. Repayment of the facility would be within Westshore's financial capacity and Westshore does not anticipate any difficulties in renewing the facility on similar terms. During the year, Westshore increased its outstanding letter of credit from \$15.3 million to \$17.9 million. This is the only amount drawn on the facility at year end.



Westshore Terminals Investment Corporation

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Westshore has post-retirement benefit obligations under its pension plans and other post-retirement benefit plans which it is required to fund each year. Westshore's cash funding requirements were \$5.1 million in 2021 (2020 - \$4.9 million), which was comprised of \$1.9 million (2020 - \$2.8 million) for contributions to the pension plans and \$3.2 million (2020 - \$2.1 million) for payments for other post-retirement benefits.

The statement of financial position as of December 31, 2021, reflects \$68.6 million of net obligations for post-retirement pension benefits and other post-retirement benefits compared to \$100.3 million at December 31, 2020. The change in 2021 was primarily caused by an increase in the discount rate and stronger plan asset performance. This obligation amount will decline in the future if long term interest rates increase and will increase if such rates fall.

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

	December 31, 2021
<i>(In thousands of Canadian dollars)</i>	
Less than 1 year	\$ 11,787
Between 1 and 5 years	47,428
More than 5 years	476,536
	\$ 535,751

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

As at December 31, 2021, Westshore has a commitment of \$2.1 million with respect to equipment purchases that are to be delivered and paid for in the next 12 months.

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

Distributions

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

<i>(In thousands of Canadian dollars except per share amounts)</i>	2021		2020	
	\$	Per share	\$	Per share
Quarter 1	12,652	0.20	10,441	0.16
Special Dividend declared in Q1	31,629	0.50	-	-
Quarter 2	12,652	0.20	10,378	0.16
Quarter 3	15,814	0.25	10,237	0.16
Quarter 4	15,814	0.25	10,142	0.16
Total Dividends on Common Shares	88,561	1.40	41,198	0.64

The dividend is subject to periodic review based on factors including operating performance, current and anticipated market conditions, funds applied to repurchase shares, other opportunities that may come before Westshore, and other potential capital upgrade projects. In circumstances where the price of the Corporation's shares makes share repurchases advantageous to the Corporation, a portion of excess cash from operations may be used to repurchase common shares.



Westshore Terminals Investment Corporation

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

Outlook

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

Westshore has operated throughout the COVID-19 pandemic as its operations are designated as an essential service. To date, Westshore has been able to continue its operations at the Terminal, and currently there is no expectation that these conditions will change and materially impact Westshore.

The variance in revenues from 2021 will ultimately be impacted by numerous factors, including total volumes shipped through the Terminal, the distribution of throughput by customer and the US/CDN dollar exchange rate. Based on the most recent information provided by Westshore's customers, 2022 throughput volumes are anticipated to be approximately 27.5 million tonnes at an average loading charge of approximately \$11.85 per tonne. The average loading rate for a period reflects the customer mix and US/CDN exchange rate and can be influenced in part by the sale prices for coal realized by certain customers whose contracts provide for limited increase in the loading charge tied to the sale price.

Westshore is in the initial stages of the potash capital project. The focus through early 2022 is on completing the process for the permits required to commence construction. The construction phase will take approximately four years and Westshore expects to start handling potash in 2026. This is a very significant diversification for Westshore to handle another product for the long term.

Related Party Transactions

The Manager provides management services to Westshore pursuant to a management agreement between Westshore and the Manager (the "Management Agreement"). Westshore pays an annual management fee to the Manager and an incentive fee based on a percentage of annual profit above \$42 million, subject to a cap of \$7.5 million per annum. The annual base management fee for 2021 was \$1,739,000 (2020 - \$1,688,000) which will escalate at 3% annually. The incentive fee for the year ended December 31, 2021, was \$4,263,000 and was paid subsequent to December 31, 2021 (2020 - \$5,787,000 paid in 2021).

The Manager also provides administration services to the Corporation pursuant to an administration agreement and appoints three of the eight directors of the General Partner pursuant to a governance agreement. The Corporation pays an annual administration fee in monthly installments. The fee paid to the Manager for 2021 was \$580,000 (2020 - \$563,000), which will increase by 3% per annum.

Affiliates of the Manager also provides insurance and vehicle related services to Westshore.

Changes in Accounting Policies

The Corporation's accounting policies are found in note 3 of the Corporation's financial statements. There were no significant changes in accounting policies in 2021.



Westshore Terminals Investment Corporation

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

Critical Accounting Estimates

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

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

Property, plant and equipment: Depreciation

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

Asset Retirement Obligations

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

Lease Obligation

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

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



Westshore Terminals Investment Corporation

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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.

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, 2021. 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, 2021 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



Westshore Terminals Investment Corporation

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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, 2021 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 Professional Accountants, in accordance with International Financial Reporting Standards. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

(Signed) “William W. Stinson”
William W. Stinson
Director

(Signed) “M. Dallas H. Ross”
M. Dallas H. Ross
Director

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

		December 31, 2021	December 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	\$	243,491	\$ 201,432
Accounts receivable		14,726	11,644
Inventories		17,809	18,212
Prepaid expenses		1,939	2,552
Income taxes recoverable		425	-
		278,390	233,840
Property, plant and equipment:	5		
At cost		666,881	658,032
Accumulated depreciation		(302,270)	(280,099)
		364,611	377,933
Right-of-use assets	14	268,123	274,082
Goodwill		365,541	365,541
Employee future benefits	11	20,136	-
Other assets	13	51	4
	\$	1,296,852	\$ 1,251,400
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	\$	44,567	\$ 44,708
Income tax payable		-	5,964
Deferred revenue		12,201	13,040
Lease obligation current portion	14	2,748	2,664
Dividends payable to shareholders	9	15,814	10,142
		75,330	76,518
Deferred revenue		21,500	20,917
Deferred income taxes	8	42,255	29,802
Employee future benefits	11	88,721	100,263
Lease obligation	14	280,575	283,323
		508,381	510,823
Shareholders' equity:			
Share capital	9	1,453,665	1,456,354
Deficit		(665,194)	(715,777)
		788,471	740,577
	\$	1,296,852	\$ 1,251,400

Commitments and contingencies (note 15)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

(Signed) "William W. Stinson"

William W. Stinson

Director

(Signed) "M. Dallas H. Ross"

M. Dallas H. Ross

Director

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2021 and 2020

	Note	2021	2020
Revenue:			
Coal loading		\$ 332,566	\$ 353,568
Other		7,905	14,842
		<u>340,471</u>	<u>368,410</u>
Expenses:	4		
Operating		168,154	167,839
Administrative		14,983	16,370
		<u>183,137</u>	<u>184,209</u>
Other:			
Foreign exchange gain (loss)		871	(229)
Gain on disposal of property, plant and equipment		116	25
Net finance costs	6	(10,658)	(10,070)
Profit before income tax		147,663	173,927
Income tax expense	7	39,850	47,011
Profit for the year		107,813	126,916
Other comprehensive income (loss):			
Items that will not be recycled to net income:			
Defined benefit plan actuarial gains (losses)	11	41,724	(11,278)
Income tax recovery (expense) on other comprehensive income (loss)	7	(11,265)	3,045
Other comprehensive income (loss) for the year, net of income tax		30,459	(8,233)
Total comprehensive income for the year		\$ 138,272	\$ 118,683
Profit per share:			
Basic and diluted earnings per share	10	\$ 1.70	\$ 1.96
Weighted average number of shares outstanding		63,261,184	64,673,615

See accompanying notes to the consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2021 and 2020

	Share capital	Deficit	Total
Balance at January 1, 2020	\$ 1,525,522	\$ (815,680)	\$ 709,836
Profit for the year	-	126,916	126,916
Other comprehensive loss:			
Defined benefit plan actuarial losses, net of tax	-	(8,233)	(8,233)
Total comprehensive income for the year	-	118,683	118,683
Distributions to shareholders of the Corporation:			
Dividends declared to shareholders	-	(41,198)	(41,198)
Adjustments due to share repurchases	(69,168)	22,424	(46,744)
Balance at December 31, 2020	\$ 1,456,354	\$ (715,777)	\$ 740,577
	Share capital	Deficit	Total
Balance as at January 1, 2021	\$ 1,456,354	\$ (715,777)	\$ 740,577
Profit for the year	-	107,813	107,813
Other comprehensive income:			
Defined benefit plan actuarial gains, net of tax	-	30,459	30,459
Total comprehensive income for the year	-	138,272	138,272
Distributions to shareholders of the Corporation:			
Dividends declared to shareholders	-	(88,561)	(88,561)
Adjustments due to share repurchases	(2,689)	872	(1,817)
Balance at December 31, 2021	\$ 1,453,665	\$ (665,194)	\$ 788,471

See accompanying notes to the consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Years ended December 31, 2021 and 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Profit for the year	\$ 107,813	\$ 126,916
Adjustments for:		
Foreign exchange contracts	(47)	46
Depreciation	28,419	26,179
Employee future benefits	7,195	5,425
Net finance costs	10,658	10,070
Income tax expense	39,850	47,011
Gain on disposal of property, plant and equipment	(116)	(25)
	193,772	215,622
Changes in non-cash operating working capital and other:		
Accounts receivable	(3,082)	8,608
Inventories	403	(2,090)
Prepaid expenses	613	(233)
Accounts payable and accrued liabilities	(791)	(5,370)
Deferred revenue	(256)	3,891
	(3,113)	4,806
Lease obligation interest paid	(9,037)	(9,119)
Income taxes paid	(45,051)	(34,915)
	136,571	176,394
Financing:		
Interest received	1,230	1,699
Dividends paid to shareholders	(82,889)	(41,693)
Share purchases	(2,076)	(48,173)
Lease obligation	(2,664)	(2,582)
	(86,399)	(90,749)
Investments:		
Property, plant and equipment, net	(8,113)	(16,887)
Other assets	-	816
	(8,113)	(16,071)
Increase in cash and cash equivalents	42,059	69,574
Cash and cash equivalents, beginning of the year	201,432	131,858
Cash and cash equivalents, end of the year	\$ 243,491	\$ 201,432
Supplemental information:		
Non-cash transactions:		
Shares purchased but not settled at year end	\$ -	\$ (259)
Capital expenditures unpaid at year end	2,114	1,205

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

1. Reporting entity:

Westshore Terminals Investment Corporation was incorporated under the *Business Corporation Act* (British Columbia) on September 28, 2010 and is domiciled in Canada. The registered and head office is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7. These consolidated financial statements as at and for the year ended December 31, 2021 comprises Westshore Terminals Investment Corporation and its subsidiaries (together referred to as the “Corporation”). The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership (“Westshore”), a partnership established under the laws of British Columbia.

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

2. Basis of preparation:

(a) Statement of compliance:

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2022.

(b) Basis of measurement:

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

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

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

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

3. Significant accounting policies:

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

(a) Basis of consolidation:

(i) Subsidiaries:

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

(ii) Transactions eliminated on consolidation:

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

(b) Foreign currency:

The functional and reporting currency of the Corporation and its subsidiaries is the Canadian dollar.

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

(c) Financial instruments:

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

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

Financial Assets

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Derivative instruments	FVTPL

Financial Liabilities

Accounts payable and accrued liabilities	Amortized cost
Derivative instruments	FVTPL

Classification and measurement of financial assets

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

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

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

The Corporation does not have any equity investments.

Classification and measurement of financial liabilities

Financial liabilities are classified as either measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value with net gains and losses, including interest expense, recognized in net income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in net income. Any gains or losses on derecognition are also recognized in net income.

(d) Property, plant and equipment:

(i) Recognition and measurement:

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

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

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

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

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

(ii) Depreciation:

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

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

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

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

(e) Impairment:

Non-Financial assets

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

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

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

Financial assets

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

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

(f) Goodwill:

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

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

(g) Leases

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

As a lessee:

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

(h) Inventories:

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

(i) Employee benefits:

Defined benefit plans

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

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

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

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Other long-term employee benefits

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

(j) Revenue:

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

(k) Provisions:

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

Decommissioning liabilities

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

(l) Income tax:

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

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

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

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary difference, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Expenses:

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

	2021	2020
Salaries, wages and benefits	\$ 90,704	\$ 93,509
Depreciation	28,419	26,179
Other	64,014	64,521
	\$ 183,137	\$ 184,209

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5. Property, plant and equipment:

	Buildings and land improvements	Machinery and equipment	Construction in progress	Total
Cost:				
Balance at January 1, 2020	\$ 82,494	\$ 540,988	\$ 22,505	\$ 645,987
Additions	-	-	12,175	12,175
Transfers	274	3,599	(3,873)	-
Disposals	-	(130)	-	(130)
Balance at December 31, 2020	82,768	544,457	30,807	658,032
Balance at January 1, 2021	82,768	544,457	30,807	658,032
Additions	-	-	9,725	9,725
Transfers	-	13,957	(13,957)	-
Disposals	-	(876)	-	(876)
Balance at December 31, 2021	\$ 82,768	\$ 557,538	\$ 26,575	\$ 666,881
Accumulated depreciation:				
Balance at January 1, 2020	\$ 36,716	\$ 223,292	\$ -	\$ 260,008
Depreciation	1,837	18,384	-	20,221
Disposals	-	(130)	-	(130)
Balance at December 31, 2020	38,553	241,546	-	280,099
Balance at January 1, 2021	38,553	241,546	-	280,099
Depreciation	1,823	20,637	-	22,460
Disposals	-	(289)	-	(289)
Balance at December 31, 2021	\$ 40,376	\$ 261,894	\$ -	\$ 302,270
Carrying amounts:				
At December 31, 2020	\$ 44,215	\$ 302,911	\$ 30,807	\$ 377,933
At December 31, 2021	42,392	295,644	26,575	364,611

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6. Finance costs:

	2021	2020
Interest income, net	\$ (1,230)	\$ (1,699)
Employee benefit interest expense, net	2,851	2,650
Capital lease interest	9,037	9,119
<u>Net finance costs</u>	<u>\$ 10,658</u>	<u>\$ 10,070</u>

7. Income tax expense:

	2021	2020
Tax expense recognized in profit		
Current income tax expense	\$ 38,663	\$ 45,209
<u>Deferred tax expense</u>	<u>1,187</u>	<u>1,802</u>
	39,850	47,011
Tax expense (recovery) recognized in other comprehensive income		
Defined benefit plans	\$ 11,265	\$ (3,045)

	2021	2020
Reconciliation of effective tax rate:		
Profit before income tax	\$ 147,663	\$ 173,927
Statutory rate	27.00%	27.00%
Expected income tax expense	39,869	46,960
Permanent differences	19	17
Other	(38)	34
<u>Actual income tax expense</u>	<u>\$ 39,850</u>	<u>\$ 47,011</u>

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8. Deferred tax assets and liabilities:

	December 31, 2021	December 31, 2020
Deferred tax assets:		
Non-pension defined benefits liability	\$ 23,955	\$ 25,656
Post-retirement benefits	- -	1,415
Financing fees	7	11
<u>Lease obligation</u>	76,497	77,216
Total assets	100,459	104,298
Deferred tax liabilities:		
Property, plant, and equipment	(64,870)	(60,097)
Post-retirement benefits	(5,437)	- -
Foreign exchange contracts	(14)	(1)
<u>Right-of-use assets</u>	(72,393)	(74,002)
Total liabilities	(142,714)	(134,100)
Net deferred income tax liabilities	\$ (42,255)	\$ (29,802)

9. Share capital:

Authorized:

Unlimited number of common shares, no par value

Issued:

	Common shares	
	2021	2020
63,257,835 (2020 - 63,391,535) issued and outstanding common shares	\$ 1,453,665	\$ 1,456,354

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

During the year ended December 31, 2021, the Corporation repurchased 117,000 (2020 - 3,009,912) shares for \$1,817,000 (2020 - \$46,744,000), under the Corporation's normal course issuer bid.

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The Corporation has declared the following dividends in 2021 (2020 - \$41,198,000).

Record Date	Payment Date	Per Share	Total
March 31	April 15	\$ 0.20	\$ 12,652
March 31	April 15	0.50	31,629
June 30	July 15	0.20	12,652
September 30	October 15	0.25	15,814
December 31	January 17	0.25	15,814
			\$ 88,561

10. Profit per share:

Earnings per share:

The calculation of basic profit per share for the year ended December 31, 2021, was based on profit attributable to shareholders and a weighted average number of common shares outstanding.

	2021	2020
Profit for the year	\$ 107,813	\$ 126,916
Weighted average number of Common shares outstanding	63,261,184	64,673,615
Basic and diluted earnings per share	\$ 1.70	\$ 1.96
Shares repurchased	117,000	3,009,912
Total cost of shares repurchased	\$ 1,817	\$ 46,744

The Corporation has no dilutive securities.

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11. Employee future benefits:

The Corporation makes contributions to one non-contributory defined benefit plans and one non-contributory defined contribution plan that provide pension benefits for employees upon retirement. The Corporation also provides two non-contributory, other post-retirement benefit plans that provide retiring allowances and other medical benefits after retirement. During the year, the Corporation purchased a buy-out annuity for a small non-contributory defined benefit plan.

	December 31, 2021	December 31, 2020
Fair value of plan assets	\$ 168,936	\$ 153,669
Defined benefit pension obligations	(148,800)	(158,910)
Defined benefit pension asset (liability)	20,136	(5,241)
Other post-retirement benefit obligations	\$ (88,721)	\$ (95,022)

Plan assets are comprised of the following investments:

	2021	2020
Equity securities	\$ 87,311	\$ 75,591
Fixed income securities	36,762	39,786
Alternatives	44,262	37,020
Cash and cash equivalents	601	1,272
	\$ 168,936	\$ 153,669

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Asset and Liability Movements:

Movement in the present value of the defined benefit obligations	Pension obligations		Other post-retirement benefits	
	December 31,		December 31,	
	2021	2020	2021	2020
Defined benefit obligation at January 1	\$ 158,910	\$ 146,954	\$ 95,022	\$ 80,070
Benefits paid by the plan	(6,666)	(5,925)	(3,201)	(2,069)
Current and past service costs and interest (see below)	10,292	9,723	7,927	7,375
Settlement for annuity purchase	(4,479)	-	-	-
Actuarial losses (gains) in other comprehensive income (see below)	(9,257)	8,158	(11,027)	9,646
Defined benefit obligations	\$ 148,800	\$ 158,910	\$ 88,721	\$ 95,022

Movement in the fair value of the defined benefit plan assets	Pension assets		Other post-retirement benefits	
	December 31,		December 31,	
	2021	2020	2021	2020
Fair value of plan assets at January 1	\$ 153,669	\$ 146,114	\$ -	\$ -
Contributions paid into the plan	1,932	2,840	3,201	2,069
Benefits paid by the plan	(6,666)	(5,925)	(3,201)	(2,069)
Expected return on plan assets (see below)	3,755	4,334	-	-
Non-investment expense (see below)	(220)	(220)	-	-
Settlement for annuity purchase	(4,974)	-	-	-
Actuarial gains in other comprehensive income (see below)	21,440	6,526	-	-
Fair value of plan assets	\$ 168,936	\$ 153,669	\$ -	\$ -

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Profit and Loss:

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

Pension obligations expense recognized in profit and loss	2021	2020
Service costs:		
Current service costs	\$ 2,132	\$ 1,934
Past service costs	4,048	3,337
Non-investment expenses	220	220
Settlement loss for annuity purchase	495	-
	6,895	5,491
Net interest costs		
Interest cost	4,112	4,452
Expected return on plan assets	(3,755)	(4,334)
	357	118
	\$ 7,252	\$ 5,609

Other post-retirement benefits expense recognized in profit and loss	2021	2020
Current service costs	\$ 5,064	\$ 4,093
Past service costs	369	750
Interest costs	2,494	2,532
	\$ 7,927	\$ 7,375

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	2021	2020
Cumulative amount at beginning of year	\$ (9,667)	\$ 1,611
Actuarial gain - plan experience	1,318	1,322
Actuarial gain (loss) - financial assumption changes	18,966	(19,126)
Return on plan assets greater than expected return	21,440	6,526
Cumulative amount at December 31	\$ 32,057	\$ (9,667)

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Funding and Assumptions:

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

During the year ended December 31, 2021, the Corporation made total contributions of \$5,133,000 (2020 - \$4,909,000) to all of its pension and other benefit plans.

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

	Most recent valuation date	Date of next required valuation
Union Pension plan	January 1, 2021	January 1, 2022

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):

	2021		2020	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit obligations:				
Discount rate at December 31	3.00%	3.00%	2.50%	2.50%
Benefit costs:				
Discount rate at January 1	2.50%	2.50%	3.00%	3.00%
Expected long-term rate of return on plan assets	2.50%	-	3.00%	-

For measurement purposes, a 7.0% per annum increase in the per capita cost of covered extended health care benefits was assumed for 2019, grading down by 0.25% per annum to 4.50% in 2029. The annual rate of increase in the per capita cost of dental benefits is 4.00%.

Sensitivity Analysis:

Assumed discount rates and medical cost trend rates have a significant effect on the accrued benefit obligation. A one percentage point change in these assumptions would have the following effects on the accrued benefit obligation for 2021:

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		1% decrease	1% increase
Pension benefit plans			
Discount rate	\$	19,191	\$ (19,191)
Other post-retirement benefit plans			
Discount rate		19,575	(19,575)
Initial medical cost trend rate		(14,524)	14,524

12. Loans and borrowings:

The Corporation has a \$40 million operating facility that is primarily used for a letter of credit relating to pension funding and day to day operations. The facility matures on August 30, 2022, and is secured by a pledge of all of the assets of the Corporation. The operating facility bears interest at the 1 month BA rate plus a margin and no repayments will be required until maturity. During the year, the Corporation increased its outstanding letter of credit from \$15.3 million to \$17.9 million. This is the only amount drawn on this facility (see Note 15).

Under its credit facility, the Corporation is required to comply with certain financial covenants. At December 31, 2021, 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.

IFRS 13, *Fair Value Measurement*, requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

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

	Fair Value Hierarchy Level	December 31 2021	December 31 2020
Financial assets:			
Derivative instruments:			
Foreign exchange contracts	Level 2	\$ 51	\$ 4

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As at December 31, 2021, Westshore has entered into option collars with notional amounts totaling US\$75.0 million to exchange U.S. dollars for Canadian dollars if the strike price drops below \$1.240 or increases above \$1.307. These foreign exchange contracts have not been designated as hedges.

The following table summarizes the gains (losses) on foreign exchange contracts for the years ended December 31, 2021 and 2020:

	2021	2020
Foreign exchange contracts	\$ 47	\$ (46)

The fair value asset is recorded in other assets. The unrealized hedging gain (loss) was recorded in foreign exchange gain (loss) in the consolidated statement of comprehensive income.

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

14. Leases:

The Corporation is committed to low value, short term leases related to the rental of vehicles and equipment.

The Corporation has a land lease with the Vancouver Fraser Port Authority (“VFPA”) which has been identified as a material lease contract. The term of the lease is until December 31, 2026, with the Corporation having further options to extend the term to December 31, 2066.

Charges payable by the Corporation under the lease comprise an annual base land and waterlot rental fee of \$5,207,000 (2020 - \$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 (2020 - \$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 2021, the Corporation paid \$9,294,000 (2020 - \$9,494,000) in relation to the higher participation rental fee.

Additional information about this lease is presented below. No other material lease contracts were identified.

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Right-of-use asset

2020

Balance at January 1	\$ 280,040
Depreciation charge for the year	(5,958)
Balance at December 31	274,082

2021

Balance at January 1	274,082
Depreciation charge for the year	(5,959)
Balance at December 31	\$ 268,123

There were no additions to right-of-use assets during 2021 (2020 – nil).

Lease obligation

2021 2020

Maturity analysis – contractual undiscounted cash flows

Less than one year	\$ 11,787	\$ 11,701
One to five years	47,428	46,962
More than five years	476,536	488,395
Total undiscounted lease liabilities at year end	\$ 535,751	\$ 547,058

Amounts recognised in profit or loss

2021 2020

Interest on lease liabilities	\$ 9,037	\$ 9,119
Variable lease payments not included in the measurement of lease liabilities	9,294	9,494
Expenses relating to short-term and low value asset leases	168	178

Amounts recognised in the statement of cash flows

2021 2020

Total cash outflow for leases	\$ 11,869	\$ 11,879
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15. Commitments and Contingencies:

The Corporation has provided a letter of credit of \$17,872,000 (December 31, 2020: \$15,269,000) related to pension funding.

The Corporation has commitments of \$2,114,000 with respect to equipment purchases that are to be delivered and paid for in the next 12 months.

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

Although the Corporation does not expect that COVID-19 will significantly impact the Corporation's operations, assets or liabilities, there is no certainty or guarantee that future events related to COVID-19 won't impact the Corporation and such impacts could potentially be material.

16. Major Customers:

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

For the year ended December 31, 2021, two customers accounted for 69% (2020 - 82%) and four customers accounted for 94% (2020 - 92%) of throughput.

17. Financial risk management:

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

(a) Credit risk:

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

The Corporation's exposure to credit risk is influenced by the profitability of coal mining companies, which is heavily impacted by the price of the coal. The Corporation does not have any collateral or security for its receivables. The Corporation monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2021 and 2020, 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:

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	2021	2020
Cash and cash equivalents	\$ 243,491	\$ 201,432
Accounts receivable	14,726	11,644
	\$ 258,217	\$ 213,076

(b) Liquidity risk:

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

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

The Corporation also maintains a \$40 million operating facility that is primarily used for pension funding. The Corporation has an outstanding letter of credit for \$17,872,000 against this facility.

(c) Market risk:

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

(i) Foreign currency exchange rates:

The Corporation holds 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, 2021, the Corporation held US\$5.9 million (2020 – US\$11.4 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 \$59,000 for the year.

The accounts receivable due from U.S. customers are denominated in U.S. dollars. The U.S. dollar denominated accounts receivable outstanding as at December 31, 2021 was \$1,755,000 (2020 - \$781,000).

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

(ii) Interest rates:

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

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.

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18. Capital management:

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

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

19. Related party transactions:

	2021	2020
Administration agreement Westar Management Ltd.	\$ 580	\$ 563
Management agreement: Westar Management Ltd. - base fee	1,739	1,688
Management agreement: Westar Management Ltd. - Incentive fee	4,263	5,787
Insurance premiums: Affiliate of Westar Management Ltd.	1,827	1,183
Vehicle leases: Affiliate of Westar Management Ltd.	168	178
Director fees: Director fees	686	643



Corporate Information

Westshore Terminals Investment Corporation

Directors

William W. Stinson*Corporate Director***M. Dallas H. Ross***Partner, Kinetic Capital Partners***H. Clark Hollands***Private Investor***Steve Akazawa***Corporate Director***Brian A. Canfield***Corporate Director***Nick Desmarais***Managing Director Legal Services, The Jim Pattison Group***Glen Clark***President, The Jim Pattison Group***Dianne Watts***Corporate Director**Stock Exchange Listing**Toronto Stock Exchange**Trading Symbol**WTE**Registrar and Transfer Agent**Computershare Investor Services Inc.**Vancouver and Toronto**Auditors**KPMG LLP**Vancouver, British Columbia**Principal Office**1800 – 1067 West Cordova Street**Vancouver, British Columbia V6C 1C7**Telephone: 604.688.6764**Facsimile: 604.687.2601**Officers***William W. Stinson***Chairman, Chief Executive Officer & President***M. Dallas H. Ross***Chief Financial Officer***Nick Desmarais***Secretary & Vice President of Corporate Development*



Corporate Information

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Dianne Watts

Corporate Director