



Westshore Terminals Income Fund

Second Quarter Report

For the six months ended June 30, 2002

Dear Unitholders:

Westshore Terminals Income Fund (the "Fund") derives its cash inflows from its investment in the subordinated notes and common shares of Westshore Terminals Ltd. ("Westshore"). The earnings and distributable cash of the Fund are wholly dependent on the results of Westshore. For purposes of securities regulatory requirements relating to management's discussion and analysis, the focus of this report is therefore on Westshore.

Westshore Terminals Ltd.

– Operational Review and Management Discussion and Analysis

In the second quarter of 2002, Westshore shipped 5.3 million tonnes of coal, compared with 6.6 million tonnes shipped during the same period in 2001. For the six months ended June 30, 2002 tonnage shipped was 10.4 million tonnes, compared with 12.6 million tonnes for the first six months of 2001. Reduction in tonnage has been expected this year based on budgeted tonnage levels for 2002. Tonnages shipped in the first half of 2001 were at a record levels, at an annualized rate of 25 million tonnes, which partially explains the year over year difference. Based on information available to it, Westshore currently anticipates throughput in 2002 will be down by as much as 10% from the 23.3 million tonnes handled in 2001.

Coal loading revenue decreased to \$30.9 million in the second quarter from \$37.8 million in the second quarter of 2001. The decrease is primarily due to the reduction in tonnage, offset slightly by an increase in average rate per tonne. Other revenue decreased primarily due to increased train detention costs, partly as a result of a mechanical failure in January. For the six month period revenues were \$60.2 million compared with \$70.5 million for the first six months of 2001. Other revenue was lower for the three and six month period, reflecting higher train detention charges.

Operating expenses decreased from \$16.2 million in the second quarter of 2001 to \$14.0 million in the second quarter of 2002. This decrease was mainly due to reduced operating and lease costs associated with the decreased tonnage. Administrative costs were consistent with the prior year. For the six months ended June 30,

2002 operating expenses decreased to \$27.4 million from \$31.7 million for the first six months of 2001.

As a result of the foregoing, Westshore's earnings before interest, taxes, depreciation and amortization for the second quarter of 2002 were \$15.8 million as compared to \$20.6 million for the same period in 2001. For the six month period ending June 30, 2002 earnings before interest, taxes, depreciation and amortization were \$29.9 million as compared to \$36.9 million for the same six month period in 2001.

All three-year labour agreements with International Longshore and Warehouse Union (the longshoremen, the foremen and the clerical workers) are in place and all expire on January 31, 2003.

Two contracts with Westshore's largest customer, Fording Inc., expire in 2002 and a primary focus of Westshore has been and will continue to be to renew these contracts. These contracts represent approximately 13 million tonnes of coal handled by Westshore in recent years. Negotiations with Fording are ongoing. In the interim, Fording continues to ship coal through Westshore.

Quarterly Distribution

On July 15, 2002, the Fund distributed \$11,260,978 (\$0.16 per trust unit) in cash for the second quarter of 2002 to Unitholders of record on June 30, 2002 as compared with \$11,741,000 (\$0.166820 per trust unit) for the second quarter of 2001. The distribution of \$0.16 per unit is comprised of interest income for income tax purposes.

Distributions by the Fund for 2002 as a whole are currently anticipated to be lower than in 2001 due to reduced tonnages anticipated to be handled at Westshore.

On behalf of the Trustees,

William W. Stinson
Chairman
August 16, 2002



Westshore Terminals Income Fund

Statements of Earnings and Distributable Cash

(in thousands of dollars, except per unit amounts)

	Three months ended June 30		Six months ended June 30	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
INCOME				
Interest	\$ 13,512	\$ 13,512	\$ 21,612	\$ 23,140
Equity in earnings (loss) of Westshore Terminals Ltd.	(178)	2,182	1,862	4,766
Amortization of purchase price discrepancy	(1,989)	(6,363)	(3,978)	(12,726)
	11,345	9,331	19,496	15,180
EXPENSES				
Administration costs	128	135	191	229
Net earnings for the period	11,217	9,196	19,305	14,951
Add (deduct):				
Equity in earnings (loss) of Westshore Terminals Ltd.	178	(2,182)	(1,862)	(4,766)
Amortization of purchase price discrepancy	1,989	6,363	3,978	12,726
Distributable cash	13,384	13,377	21,421	22,911
Distributions paid or declared during the period	11,261	11,741	21,114	21,341
<i>Distributions paid or declared per trust unit</i>	<i>\$ 0.160</i>	<i>\$ 0.167</i>	<i>\$ 0.300</i>	<i>\$ 0.303</i>

Statements of Cash Flows

(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities				
Distributable cash	\$ 13,384	\$ 13,377	\$ 21,421	\$ 22,911
Change in non-cash working capital	(351)	(1)	(414)	(223)
	13,033	13,376	21,007	22,688
Cash flows from financing activities				
Distributions paid to unitholders	(9,853)	(9,600)	(24,953)	(22,873)
Increase (decrease) in cash and cash equivalents	3,180	3,776	(3,946)	(185)
Cash and cash equivalents, Beginning of period	8,562	9,858	15,688	13,819
Cash and cash equivalents, End of period	\$ 11,742	\$ 13,634	\$ 11,742	\$ 13,634



Westshore Terminals Income Fund

Balance Sheets

(in thousands of dollars)

	June 30, 2002	December 31, 2001
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,742	\$ 15,688
Investment in Westshore Terminals Ltd.	513,037	515,153
	<u>\$ 524,779</u>	<u>\$ 530,841</u>
LIABILITIES & UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 174	\$ 588
Distribution payable to unitholders	11,261	15,100
	11,435	15,688
Unitholders' Equity	<u>513,344</u>	<u>515,153</u>
	<u>\$ 524,779</u>	<u>\$ 530,841</u>

Statements of Unitholders' Equity

(in thousands of dollars)

	June 30, 2002	December 31, 2001
	(Unaudited)	(Audited)
Balance, beginning of period	\$ 515,153	\$ 531,457
Net earnings for the period	19,305	33,137
Cash distributions paid or declared during the period	(21,114)	(49,441)
Balance, end of period	<u>\$ 513,344</u>	<u>\$ 515,153</u>

Notes to Financial Statements

1. Accounting Policies

These interim financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report for the year ended December 31, 2001.

These interim financial statements follow the same accounting policies and methods of computation as used in the 2001 financial statements.



Westshore Terminals Ltd.

Statements of Operations and Deficit

(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)
REVENUE				
Coal	\$ 30,876	\$ 37,812	\$ 60,183	\$ 70,987
Other	368	511	59	694
	31,244	38,323	60,242	71,681
EXPENSES				
Operating	14,034	16,197	27,413	31,692
Administrative	1,403	1,574	2,954	3,073
	15,437	17,771	30,367	34,765
Earnings before depreciation, interest and income taxes	15,807	20,552	29,875	36,916
Depreciation	2,551	2,506	5,101	5,012
Interest expense	13,512	13,512	21,612	23,140
Earnings (loss) before income taxes	(256)	4,534	3,162	8,764
Provision for income taxes	(78)	2,352	1,300	3,998
Earnings (loss) for the period	(178)	2,182	1,862	4,766
Deficit - beginning of period	(567,926)	(569,430)	(569,966)	(572,014)
Future income taxes adjustment	-	-	-	-
Deficit - end of period	\$ (568,104)	\$ (567,248)	\$ (568,104)	\$ (567,248)

Statements of Cash Flows

(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)
Cash flows from operating activities				
Earnings (loss) for the period	\$ (178)	\$ 2,182	\$ 1,862	\$ 4,766
Items not affecting cash				
Depreciation	2,551	2,506	5,101	5,012
Future income tax recovery	(261)	(318)	(679)	(635)
	2,112	4,370	6,284	9,143
Increase (decrease) in non-cash working capital	(3,812)	2,707	(6,500)	(7,611)
Increase in deferred employee future benefits costs	(177)	(94)	(348)	(157)
	(1,877)	6,983	(564)	1,375
Cash flows from investing activities				
Additions to plant and equipment	(171)	(1,017)	(550)	(1,661)
Increase (decrease) in cash and cash equivalents	(2,048)	5,966	(1,114)	(286)
Cash and cash equivalents, Beginning of period	13,136	6,084	12,202	12,336
Cash and cash equivalents, End of period	\$ 11,088	\$ 12,050	\$ 11,088	\$ 12,050
Supplemental cash flow information				
Cash received for interest	28	76	99	307
Income taxes paid	123	829	1,595	4,544



Westshore Terminals Ltd.

Balance Sheets

(in thousands of dollars)

	June 30, 2002	December 31, 2001
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,088	\$ 12,202
Accounts receivable	5,840	6,001
Inventories	5,039	5,613
Prepaid expenses	2,987	2,328
	24,954	26,144
Plant and equipment		
At cost	265,337	264,787
Accumulated depreciation	(173,153)	(168,052)
	92,184	96,735
Employee future benefits	900	552
	\$ 118,038	\$ 123,431
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,932	\$ 26,508
Notes payable	470,000	470,000
Future income taxes	18,246	18,925
	508,178	515,433
SHAREHOLDER'S DEFICIENCY		
Share capital	177,964	177,964
Deficit	(568,104)	(569,966)
	(390,140)	(392,002)
	\$ 118,038	\$ 123,431

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Corporate Office

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