

**PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A
DECISION PRIOR TO 4 P.M. (TORONTO TIME) ON MARCH 1, 2007.**

No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence. This offer is being made in each of the Provinces and Territories of Canada. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, and, accordingly, they may not be offered or sold in the United States or any territory or possession thereof.

Rights Offering Circular

February 2, 2007



WESTSHORE TERMINALS INCOME FUND

Offer of Rights to Subscribe for Fund Units

**TO: Holders of Fund Units of Westshore Terminals Income Fund
of record as at the close of business on February 2, 2007.**

Westshore Terminals Income Fund (the “Fund”) is issuing to the holders (“Unitholders”) of its outstanding Fund Units (“Fund Units”) of record at the close of business on February 2, 2007 (the “Record Date”) rights (“Rights”) to subscribe for additional Fund Units (the “Offered Units”), before 4:00 p.m. (Toronto time) on March 1, 2007 (the “Expiry Time”) on the terms set out herein. Rights not exercised by the Expiry Time will be void and of no value.

Subject to the terms hereof, each Unitholder on the Record Date will receive one Right for each Fund Unit held and the Rights will be evidenced by fully transferable rights certificates (“Rights Certificates”). 36 Rights will entitle the holder thereof to subscribe for, at the holder’s election, prior to the Expiry Time, one Offered Unit at a price of \$10.45 per Offered Unit (the “Subscription Price”). No fractional Offered Units will be issued upon exercise of the Rights. Accordingly, holders of less than 36 Rights will not be able to acquire an Offered Unit unless such holders acquire such number of Rights that is an even multiple of 36.

Holders of Rights who exercise their Rights in full are entitled to subscribe for additional Offered Units pursuant to the Additional Subscription Privilege described herein. As at February 2, 2007, an aggregate of 70,381,111 Fund Units were issued and outstanding.

The Rights and the Offered Units issuable upon exercise of the Rights are listed on the Toronto Stock Exchange (the “TSX”). Trading in the Rights on the TSX will terminate at 12:00 noon (Toronto time) on March 1, 2007.

Accompanying this circular is a Rights Certificate evidencing the Rights to which you are entitled. Subject to certain exceptions described under the heading “Details of Rights Offering – Registered Ineligible Unitholders”. **Rights Certificates will not be issued to Unitholders whose addresses of record are in any jurisdiction other than a Province or Territory of Canada. Unitholders whose addresses of record are in the excluded jurisdictions should refer to the information set out under the heading “Details of Rights Offering — Registered Ineligible Unitholders”.**

Jim Pattison Developments Ltd., which holds approximately 10.09% of the outstanding Fund Units, has agreed, subject to certain conditions, to exercise all of the Rights issued to it as a Unitholder and to subscribe for all of the remaining Offered Units not otherwise subscribed for at the Expiry Time. Accordingly, all of the Rights will be exercised by the Expiry Time. See “Standby Commitment”. In addition, Jim Pattison Developments Ltd. and/or its affiliates may purchase Rights in the market and exercise those Rights purchased.

Concurrently with the completion of the issue of Offered Units upon exercise of the Rights, Jim Pattison Developments Ltd. or an affiliate will subscribe for and purchase 1,913,875 Fund Units from the Fund on a private placement basis at the same price per Fund Unit as the Subscription Price for aggregate proceeds to the Fund of approximately \$20 million.

The proceeds of this offering will be used to fund the Fund’s capital expansion plans. See “Use of Proceeds”. In this rights offering circular, all dollar amounts are expressed in Canadian dollars.

IF A UNITHOLDER DOES NOT ELECT TO EXERCISE ITS RIGHTS IN FULL, THE FUND UNITS CURRENTLY HELD BY THAT UNITHOLDER, AS A PROPORTION OF THE OUTSTANDING FUND UNITS, MAY BE DILUTED AS A RESULT OF THE EXERCISE OF RIGHTS BY OTHER UNITHOLDERS. INVESTMENT IN THE OFFERED UNITS MAY BE REGARDED AS SPECULATIVE DUE TO THE NATURE OF THE FUND’S BUSINESS. SEE “RISK FACTORS”.

Record Date:	February 2, 2007
Expiry Time:	4:00 p.m. (Toronto time) on March 1 2007
Subscription Basis:	36 Rights entitle the holder to subscribe for, subject to the terms hereof one Offered Unit at a price of \$10.45
Maximum Number of Offered Units to be Issued on Exercise of Rights:	Approximately 1,955,000
Maximum Gross Proceeds:	Approximately \$20,430,000 prior to deduction of expenses of this offering estimated at \$200,000

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SUMMARY OF RIGHTS OFFERING

The following is a summary only. Readers should refer to the detailed information appearing elsewhere in this rights offering circular.

The Fund	<p>The Fund is an open-ended trust that was established on December 2, 1996 under the laws of British Columbia. The Fund owns all of the limited partnership units of Westshore Terminals Limited Partnership (“Westshore”), a partnership established under the laws of British Columbia. The Fund distributes to Unitholders on a quarterly basis available cash received from Westshore less the Fund’s expenses.</p> <p>The Fund does not conduct any active business. The Fund 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, which is the largest coal loading facility on the west coast of the Americas. The Fund’s principal office is located at 1800 – 1067 West Cordova Street, Vancouver, British Columbia V6C 1C7.</p>
The Rights	<p>Unitholders of the Fund in the jurisdictions in which this offering is being made will receive one Right for every Fund Unit held. Rights will be evidenced by Rights Certificates. 36 Rights will entitle the holder to subscribe for one Offered Unit at a price of \$10.45 (the “Subscription Price”).</p> <p>The offering is being made only in the Provinces and Territories of Canada. Subject to certain exceptions, subscriptions will not be accepted from any person or its agent who appears to be, or who the Fund has reason to believe is, a resident of any other jurisdiction (collectively, the “Ineligible Jurisdictions”). A Unitholder as of the Record Date whose address on the books of the Fund is in one of the Ineligible Jurisdictions will not be forwarded a Rights Certificate. Instead, all such Rights Certificates will be sent to Computershare Investor Services Inc. as agent for the holders, to attempt to dispose of the Rights represented by such certificates for the benefit of the holders thereof. See “Details of Rights Offering — Registered Ineligible Unitholders”.</p>
Total Number of Rights	70,381,111
Record Date	The Rights are being issued to Unitholders of the Fund of record as at the close of business on February 2, 2007.
Expiry Time	Rights not exercised prior to 4:00 p.m. (Toronto time) on March 1, 2007 will be void and of no value.
Additional Subscription Privilege	Holder of Rights Certificates who exercise their Rights in full are entitled to subscribe for additional Offered Units, if available as a result of unexercised Rights, at the Subscription Price.

Market	As at the Record Date, the Rights and the Offered Units issuable upon exercise of the Rights are listed on the TSX. Trading in the Rights on the TSX will terminate at 12:00 noon (Toronto time) on March 1, 2007. The closing price for the Fund Units on the TSX on December 19, 2006, the date of announcement of the offering of the Rights, was \$11.70.
Use of Proceeds	The total proceeds of this offering and the private placement of Fund Units to Jim Pattison Developments Ltd., after deduction of expenses, are estimated to be approximately \$40.2 million and will be used to fund the Fund's capital expansion program. See "Use of Proceeds".
Standby Commitment	Under a standby commitment agreement (the "Standby Commitment Agreement") dated as of December 19, 2006, Jim Pattison Developments Ltd. has agreed, subject to certain conditions, to exercise all of the Rights issued to it as a Unitholder and subscribe for all of the remaining Offered Units not otherwise subscribed for at the Expiry Time. Accordingly, all of the Rights will be exercised and total net proceeds of \$20.2 million will be raised by the Fund. Concurrently with the completion of the issue of Offered Units upon exercise of the Rights, Jim Pattison Developments Ltd. or an affiliate will subscribe for and purchase 1,913,875 Fund Units from the Fund on a private placement basis at the same price per Fund Unit as the Subscription Price for aggregate proceeds to the Fund of approximately \$20 million.

DETAILS OF RIGHTS OFFERING

Rights and Rights Certificates

The Rights will be evidenced by Rights Certificates registered in the names of Unitholders on the Record Date. Each such holder, other than certain Unitholders referred to under the heading “Registered Ineligible Unitholders”, is entitled to receive a Rights Certificate evidencing the total number of Rights to which such holder is entitled under this offering. The Rights Certificate does not entitle the holder thereof to any of the rights or privileges of a unitholder of the Fund.

36 Rights entitle the holder to subscribe for one Offered Unit at the Subscription Price of \$10.45. No fractional Fund Units will be issued upon exercise of the Rights. Accordingly, holders of less than 36 Rights will not be able to acquire a Unit unless such holders acquire such number of Rights that is an even multiple of 36.

Holders of Rights Certificates who exercise their Rights in full are also entitled to subscribe for additional Offered Units as described under the heading “—Additional Subscription Privilege”. Subject to certain exceptions described under the heading “—Registered Ineligible Unitholders”, Rights Certificates may not be held directly by, and subscriptions for Offered Units will not be accepted from, Unitholders whose addresses of record are in any jurisdiction except the Provinces and Territories of Canada. Persons whose addresses of record are in any other jurisdiction will be treated in the manner described under the heading “—Registered Ineligible Unitholders”.

Expiry Time

The Rights expire at 4:00 p.m. (Toronto time) on March 1, 2007 (the “Expiry Time”). **The Rights will expire and be void and of no value if not exercised prior to the Expiry Time.**

Additional Subscription Privilege

Any holder of a Rights Certificate who exercises the right (the “Basic Subscription Right”) to subscribe for all the Offered Units to which such holder is entitled under the Rights evidenced by such certificate is entitled to subscribe for additional Offered Units (the “Additional Subscription Privilege”) at the Subscription Price. The number of Offered Units available for additional subscription (the “Additional Offered Units”) will be those, if any, that have not been subscribed and paid for under the Basic Subscription Right by all holders of Rights.

To exercise the Additional Subscription Privilege, any holder of a Rights Certificate who completes Form 1 for the maximum number of Offered Units that can be subscribed for on exercise of the number of Rights evidenced by such certificate must also complete Form 2 and specify the number of Additional Offered Units desired to be subscribed for prior to the Expiry Time. **The completion of Form 2 constitutes a binding commitment to subscribe for the number of Additional Offered Units specified. The aggregate applicable subscription price for Additional Offered Units must accompany the Rights Certificate when it is delivered to Computershare Investor Services Inc. as subscription agent (the “Subscription Agent”) and is payable in Canadian funds by cash or certified cheque, bank draft or money order payable to Computershare Investor Services Inc.**

Such funds representing the aggregate subscription price for Additional Offered Units will be placed in a segregated trust account pending allocation of the Additional Offered Units in the manner contemplated herein and any funds paid by a holder of a Rights Certificate in excess of the aggregate applicable subscription price for the Offered Units so allocated to such holder will be returned by mail to such holder without interest or deduction.

If there are sufficient Additional Offered Units to satisfy all subscriptions by holders exercising the Additional Subscription Privilege, each such holder will be allotted and issued the number of Additional Offered Units for which the holder has subscribed. If the aggregate number of Additional Offered Units subscribed for by all holders who exercise their Additional Subscription Privilege exceeds the number of Additional Offered Units available, the number of Additional Offered Units allocated to each holder will be the lesser of (i) the number of Additional Offered Units which such holder has subscribed for pursuant to the Additional Subscription Privilege and (ii) the product (disregarding fractions) of the number of Additional Offered Units multiplied by a fraction, of which the numerator is the number of Offered Units subscribed for by the holder under the Basic Subscription Right and the denominator is the aggregate number of Offered Units subscribed for under the Basic Subscription Right by all holders who complete Form 2 and exercise the Additional Subscription Privilege.

As soon as practicable after the issuance of Additional Offered Units on the exercise of the Additional Subscription Privilege, the Subscription Agent will send to each Unitholder who exercises the Additional Subscription Privilege a certificate evidencing the number of Additional Offered Units allocated and issued to such Unitholder together with a cheque(s) for any excess funds paid.

Jim Pattison Developments Ltd., the holder of approximately 10.09% of the outstanding Fund Units, has agreed, subject to certain conditions, to subscribe for Offered Units under the Basic Subscription Right and to subscribe for all of the Offered Units issuable upon the exercise of Rights which are unexercised as at the Expiry Time. See "Standby Commitment". In addition, Jim Pattison Developments Ltd. and/or its affiliates may purchase Rights in the market and exercise those Rights purchased.

Concurrently with the completion of the issue of Offered Units upon exercise of the Rights, Jim Pattison Developments Ltd. will subscribe for and purchase 1,913,875 Fund Units from the Fund on a private placement basis at the same price per Fund Unit as the Subscription Price for aggregate proceeds to the Fund of approximately \$20 million.

Registered Ineligible Unitholders

The Rights and the Offered Units issuable upon exercise of the Rights are not being offered to persons who are or appear to be, or who the Fund or the Subscription Agent have reason to believe are, residents of any jurisdiction except a Province or Territory of Canada (residents of excluded jurisdictions being hereinafter referred to collectively as the "Registered Ineligible Unitholders"). Neither the Fund nor the Subscription Agent will accept subscriptions from any holder or transferee of Rights who is or appears to be, or who the Fund or the Subscription Agent have reason to believe is, a Registered Ineligible Unitholder or the agent of a Registered Ineligible Unitholder, unless such Registered Ineligible Unitholder provides evidence acceptable to the Fund that the Fund may issue Rights to, and accept subscriptions for Offered Units from, such Registered Ineligible Unitholder without complying with any legal requirements in the jurisdiction in which such Registered Ineligible Unitholder is resident other than those being complied with in connection with the offering of Rights in the jurisdictions in Canada in which such offering is being made.

The Rights and the Offered Units issuable upon exercise of the Rights have not been and will not be registered under the United States Securities Act of 1933, as amended.

Rights Certificates will not be delivered to Registered Ineligible Unitholders, other than in the circumstances described above. Unitholders will be presumed to be resident in the place of their registered addresses, unless the contrary is shown to the satisfaction of the Fund. Rights Certificates in respect of Registered Ineligible Unitholders will be issued to and held by the Subscription Agent which will hold such certificates as agent for the benefit of Registered Ineligible Unitholders. The Subscription Agent will hold the Rights delivered to it until 4 p.m. (Toronto time) on February 16, 2007 (being the date

that is 14 days after the Record Date) in order to give Unitholders who are not Registered Ineligible Unitholders an opportunity to claim their Rights from the Subscription Agent, as hereinafter provided. Thereafter, the Subscription Agent will, for the account of Registered Ineligible Unitholders, prior to the Expiry Time, attempt to sell the Rights allocable to each Registered Ineligible Unitholder and evidenced by Rights Certificates in the possession of the Subscription Agent. The Subscription Agent will make such sales from a pool consisting of such Rights owned by each Registered Ineligible Unitholder on the date or dates and at the price or prices it determines in its discretion. Any proceeds received by the Subscription Agent with respect to such Rights (net of brokerage fees, withholding tax and costs incurred) will be divided on a pro rata basis among such Registered Ineligible Unitholders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefor as soon as practicable to such Registered Ineligible Unitholders at their addresses recorded in the books of the Fund. The Subscription Agent will not be liable for failure to sell any Rights of a Registered Ineligible Unitholder at a particular price, or at all. **There is a risk that the proceeds received from the sale of the Rights will not exceed the brokerage commissions, Canadian tax required to be withheld (if applicable) and the costs incurred by the Subscription Agent in respect of the sale of such Rights. In such event, no proceeds will be forwarded to Registered Ineligible Unitholders.**

Unitholders who are not Registered Ineligible Unitholders and who believe that their Rights may have been delivered to the Subscription Agent should contact the Subscription Agent to obtain their Rights prior to 4 p.m. (Toronto time) on February 16, 2007. Holders of Rights who are Registered Ineligible Unitholders should be aware that the acquisition and disposition of Rights and Offered Units may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein.

Listing of Rights and Fund Units

As at the Record Date, the Rights and the Offered Units issuable upon exercise of the Rights are listed on the TSX. Rights may be bought or sold through any registered investment dealer or broker in Canada. Trading in the Rights on the TSX will terminate at 12:00 noon (Toronto time) on March 1, 2007. Payment of any service charge, commission or other fee payable in connection with the exercise or any trade of Rights (other than the fee for the services to be performed by the Subscription Agent referred to under the heading “—Subscription Agent”) shall be the responsibility of the Rights Certificate holder.

SUBSCRIPTION AGENT

The Subscription Agent has been appointed by the Fund to receive subscriptions for Offered Units and applications for Additional Offered Units and to receive and hold in trust payment of the applicable subscription price from holders of Rights Certificates, to perform the services relating to the exercise of Rights (including the issuing of certificates for Offered Units subscribed for) and to act as agent for the Registered Ineligible Unitholders as described under the heading “—Registered Ineligible Unitholders”. The Fund will pay the cost of all such services provided by the Subscription Agent. Subscriptions and payments under this offering can be made at the following offices of the Subscription Agent:

Computershare Investor Services Inc.

510 Burrard Street
2nd Floor
Vancouver, BC V6C 3B9
Attention: Corporate Actions

100 University Avenue
9th Floor
Toronto, ON M5J 2Y1
Attention: Corporate Actions

HOW TO SUBSCRIBE

General

By completing and signing the appropriate form(s) on the Rights Certificate in accordance with the instructions outlined below and on the Rights Certificate, a Rights Certificate holder may:

- (a) subscribe for Offered Units (Form 1);
- (b) subscribe for Additional Offered Units (Form 2);
- (c) assign Rights or sell Rights otherwise than through the Subscription Agent (Form 3); or
- (d) divide or combine the Rights Certificate (Form 4).

No fractional Units will be issued upon exercise of the Rights. Accordingly, holders of less than 36 Rights will not be able to acquire a Unit unless such holders acquire such number of Rights that is an even multiple of 36. Holders of fewer than 36 Rights or Rights that are not equal to an even multiple of 36 may dispose of such Rights through the facilities of the TSX or otherwise. See “- Sale and Transfer of Rights” below. A holder may also acquire Rights and combine Rights issued to the holder and Rights acquired from other holders into a number of Rights equal to an even multiple of 36 to permit the exercise of such Rights. See “- To Divide or Combine the Rights Certificate” below.

Exercise of Basic Subscription Right - Form 1

36 Rights entitle the holder to purchase one Offered Unit at the Subscription Price of \$10.45 per Offered Unit. A Rights Certificate holder may subscribe for all or any lesser number of whole Offered Units for which the Rights Certificate entitles the holder to subscribe by completing and signing Form 1 and delivering the Rights Certificate and the aggregate applicable subscription price for such Offered Units to the Subscription Agent at one of its offices set out under the heading “Subscription Agent”. Subscriptions for Offered Units represented by a duly completed and signed Rights Certificate and payment in full of the aggregate applicable subscription price will be effective as of the Expiry Time. The applicable subscription price is payable in Canadian funds by cash or certified cheque, bank draft or money order payable to Computershare Investor Services Inc.

All requisite payments together with the duly completed Rights Certificate must be received by the Subscription Agent prior to the Expiry Time and, failing such receipt and regardless of the reason for such failure, will be void and without value. The method of delivery of the Rights Certificate and payment of the applicable subscription price is at the holder’s discretion and risk. Delivery to the Subscription Agent will only be effective when the required documents as described herein are actually received by the Subscription Agent at one of its offices set out under the heading “Subscription Agent”. If mail is used for delivery of these documents, sufficient time must be allowed to avoid late delivery and registered mail is suggested.

Completion of Form 1 constitutes a representation by the Rights Certificate holder that he is not, and is not the agent of, a Registered Ineligible Unitholder (unless such holder has provided to the Fund the evidence described under the heading “Details of Rights Offering – Registered Ineligible Unitholders”).

Additional Subscription Privilege - Form 2

A Rights Certificate holder who completes Form 1 to subscribe for all of the Offered Units for which a Rights Certificate entitles the holder to subscribe may at the same time subscribe for Additional Offered Units (at the applicable subscription price) by completing Form 2 and specifying the number of Additional Offered Units desired to be purchased. The Additional Offered Units, if any, available for sale

to holders subscribing for Additional Offered Units will be allotted and issued to each holder on the basis of the lesser of:

- (i) the number of Additional Offered Units subscribed for by such holder under the Additional Subscription Privilege; and
- (ii) the product (disregarding fractions) obtained by multiplying the aggregate number of Additional Offered Units available through all unexercised Rights by a fraction, of which the numerator is the number of Offered Units subscribed for by that holder pursuant to the Basic Subscription Right and the denominator is the aggregate number of Offered Units subscribed for pursuant to the Basic Subscription Right by all holders exercising the Additional Subscription Privilege.

If, as a result of the application of the foregoing formula, a holder of a Rights Certificate is allotted a number of Additional Offered Units which is less than the number specified in Form 2, the Subscription Agent will, when mailing the Unit certificate representing the Additional Offered Units issued to such holder, refund, without interest, the excess portion of the aggregate subscription price paid by him.

To apply for Additional Offered Units, a Rights Certificate holder must complete Form 2 as well as Form 1 on the Rights Certificate and deliver the Rights Certificate and payment of the applicable subscription price for each Additional Offered Unit subscribed for (as well as the applicable subscription price for each Offered Unit subscribed for under the Basic Subscription Right) to the Subscription Agent prior to the Expiry Time. The aggregate subscription price for Additional Offered Units is payable in Canadian funds by cash or certified cheque, bank draft or money order payable to Computershare Investor Services Inc.

Sale and Transfer of Rights - Form 3

A Rights Certificate holder may, instead of exercising its Rights to subscribe for Offered Units, sell its Rights personally or through a registered dealer by completing and signing Form 3 on the Rights Certificate and delivering the Rights Certificate to the purchaser (transferee). The transferee may exercise all the Rights of a holder of a Rights Certificate without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Fund and the Subscription Agent may thereafter treat the bearer as the absolute owner of such Rights Certificate for all purposes and neither the Fund nor the Subscription Agent shall be affected by notice to the contrary.

The signature of the transferring Rights Certificate holder on Form 3 must be guaranteed by a Canadian chartered bank or trust company or a member of the Investment Dealers Association of Canada or of a recognized stock exchange in Canada or otherwise to the satisfaction of the Subscription Agent. The signature of the transferee on any one or more of the forms on the Rights Certificate must correspond exactly with the name of the transferee shown on Form 3, if any.

To Divide or Combine the Rights Certificate - Form 4

A Rights Certificate may be exchanged for two or more new certificates and two or more Rights Certificates may be exchanged for a single new certificate by delivering the original certificate or certificates to the Subscription Agent (without endorsement or payment of any charges) with Form 4 completed to indicate the number of Rights to be represented by each new certificate or certificates requested. The Subscription Agent will then issue a new certificate or certificates in such denominations (representing, in the aggregate, the same number of Rights as evidenced by the original certificate or certificates) as are so requested by the Rights Certificate holder. Rights Certificates must be surrendered to the Subscription Agent for combination or division no more than four business days (being days other than Saturdays, Sundays or statutory holidays in the City of Toronto) prior to the Expiry Time to permit the new certificate or certificates to be issued to and used by the Rights Certificate holders.

Acceptance by Book-Based Transfer in Canada

A Rights Certificate holder may also accept the Rights Offering in Canada by following the procedures for book-based transfer, provided that a confirmation of the book-based transfer of Rights through the Canadian Depository for Securities (“CDS”) on-line tendering system into the Subscription Agent’s account at CDS, is received by the Subscription Agent at its office in Toronto prior to the Expiry Time. The Subscription Agent has established an account at CDS for the purpose of the Rights Offering. Any financial institution that is a participant in CDS may cause CDS to make a book-based transfer of a holder’s Rights into the Subscription Agent’s account in accordance with CDS procedures for such transfer. Delivery of Rights through the CDS book-based transfer system will constitute a valid tender under the Rights Offering.

Unitholders, through their respective CDS Participants, who utilize the CDS on-line system to accept the Rights Offering through a book-based transfer of their Rights into the Subscription Agent’s account with CDS are deemed to have completed a Rights Certificate and therefore such instructions received by the Subscription Agent are considered a valid tender in accordance with the terms of the Rights Offering.

Delivery of Rights Certificates by Intermediaries

Rights Certificates delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to residents of any jurisdiction except a Province or Territory of Canada who beneficially own Fund Units. Intermediaries receiving the Rights Certificates that would otherwise be deliverable to such holders should attempt to sell those Rights for the accounts of such residents and should deliver any proceeds of sale to those residents.

Unexercised Rights

Where a Rights Certificate holder exercises some but not all of the Rights evidenced by a Rights Certificate, such holder will, unless he elects to divide the Rights Certificate as described under the heading “—To Divide or Combine the Rights Certificate — Form 4”, be deemed to have elected to waive the exercise of the unexercised balance of such Rights and such remaining Rights will be void and of no value.

If a Rights Certificate holder fails to surrender its Rights Certificate to the Subscription Agent prior to the Expiry Time as described above, surrenders its Rights Certificate but fails to complete Form 1 or Form 2 on the Rights Certificate or fails to make payment required in respect of any Offered Units for which he elects to subscribe, such holder will be deemed to have elected to waive the exercise of the Rights represented by such Rights Certificate (or such portion thereof in respect of which he has failed to make payment) and such Rights will be void and of no value.

Signatures

The signature on any form on the Rights Certificate must correspond exactly with the name of the Rights Certificate holder shown on the face of the Rights Certificate, without enlargement (unless the Rights Certificate has been transferred in blank). If a form is signed by a trustee, executor, administrator, officer of a corporation or any person acting in a fiduciary or representative capacity, the Rights Certificate must be accompanied by evidence of authority to so sign satisfactory to the Subscription Agent.

Registration and Delivery of Unit Certificates

Offered Units purchased through the exercise of Rights, including Additional Offered Units, will be registered in the name of the person to whom the Rights Certificate was issued or its transferee, if any, indicated on the Rights Certificate. A certificate representing Offered Units purchased through the exercise of Rights, including Additional Offered Units, if any, will be mailed as soon as practicable to the address appearing in the records of the Fund of the person to whom the Rights Certificate was issued or to the address of the transferee, if any, indicated on the Rights Certificate.

Validity and Rejection of Subscriptions

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Fund in its sole discretion, which determination shall be final and binding. All subscriptions are irrevocable. The Fund reserves the absolute right to reject any subscription if such subscription is not in proper form or if the acceptance thereof or the issuance of Offered Units pursuant thereto could be deemed unlawful. The Fund also reserves the right to waive any defect with regard to any particular subscription. Neither the Fund nor the Subscription Agent will be under any duty to give any notification of any defect or irregularity in such subscriptions and neither of them shall incur any liability for failure to give such notification.

STANDBY COMMITMENT

Pursuant to a standby commitment agreement (the “Standby Commitment Agreement”) dated as of December 22, 2006, Jim Pattison Developments Ltd. (“JPD”), the holder of approximately 10.09% of the outstanding Fund Units, has agreed to ensure that all of the Rights are exercised prior to the Expiry Time (the “Standby Commitment”).

JPD will satisfy the Standby Commitment by exercising all of the Rights it has been issued as a Unitholder of the Fund and subscribing for all of the Offered Units issuable upon the exercise of Rights which are unexercised as at the Expiry Time after application of both the Basic Subscription Right and the Additional Subscription Privilege.

The obligations of JPD under the Standby Commitment Agreement are subject to certain terms and conditions and may be terminated in its discretion upon the occurrence of certain stated events, including:

- (i) if, prior to the time of closing of JPD’s purchase of any Offered Units issuable upon the exercise of Rights which are unexercised at the Expiry Time after the application of both the Basic Subscription Right and the Additional Subscription Privilege (the “Closing Time”), there should develop, occur or come into effect any event of national or international consequence or any accident, governmental law or regulation or other occurrence of any nature whatsoever which, in the opinion of JPD acting reasonably, seriously affects or may seriously affect the financial markets in Canada or the United States or the business of the Fund and its subsidiaries taken as a whole; or
- (ii) if, prior to the Closing Time, there has occurred an adverse material change with respect to the financial condition or business of the Fund and its subsidiaries taken as a whole; or

- (iii) if, prior to the Closing Time, any order or ruling is made or issued suspending or ceasing trading in the Rights or the Fund Units on the TSX or otherwise or any order or ruling is made or issued to suspend or cease trading in the Rights or Fund Units or which prevents or restricts the issuance of Offered Units to JPD as contemplated by the Standby Commitment Agreement pursuant to any applicable securities legislation in Canada or the United States or elsewhere or by any regulatory authority or governmental body, domestic or foreign, which has not been rescinded, revoked or withdrawn; or
- (iv) if, prior to the Closing Time, any inquiry or investigation (whether formal or informal) in relation to the Fund or any of its subsidiaries or any of the directors or officers of the Fund or relating to the Rights, the Fund Units or any other securities of the Fund is commenced or threatened by any official or officer of any securities regulatory authority in Canada or the United States or elsewhere or by any official or officer of any other regulatory authority or governmental body which prevents or restricts or could reasonably be expected to prevent or restrict trading in or distribution of the Rights, the Fund Units or any other securities of the Fund or the exercise of the Rights in accordance with the terms thereof or the issuance of Offered Units to JPD as contemplated by the Standby Commitment Agreement

provided that the right of JPD to terminate its obligations under the Standby Commitment Agreement to exercise all of the Rights issued to it pursuant to this offering under the Basic Subscription Right may only be exercised until the Expiry Time and provided further that the right of JPD to terminate its obligations under the Standby Commitment Agreement to subscribe for and take up and pay for any of the Offered Units which are unexercised as at the Expiry Time after application of both the Basic Subscription Right and the Additional Subscription Privilege may only be exercised until 8:59 a.m. (Toronto time) on the business day immediately following the Expiry Time.

The maximum number of Offered Units that JPD may be required to purchase under the Standby Commitment depends on the number of Offered Units subscribed for by holders or transferees of Rights under the Basic Subscription Right and the Additional Subscription Privilege.

JPD will not receive any consideration directly or indirectly from the Fund for performing its obligations under the Standby Commitment Agreement.

USE OF PROCEEDS

The estimated net proceeds to be received from this offering will be \$20,200,000 after deducting the expenses of the offering estimated at \$200,000. As well, the Fund will receive proceeds of approximately \$20,000,000 from the private placement of Fund Units to JPD, which will be completed concurrently with this offering. The proceeds from the private placement of Fund Units to JPD will also be applied towards the completion of the terminal upgrades described below.

As disclosed in the Fund's annual information form dated March 31, 2006 and third quarter report issued on November 3, 2006, Westshore is planning the upgrade of certain existing equipment and the addition of new equipment at its terminal site, at the combined cost of approximately \$45 million (in 2006 dollars). The terminal has two incoming systems (the tandem and single rotary dumpers) and two outgoing systems, but only three stacker/reclaimers to operate between the incoming and outgoing systems. The design of the expanded terminal site in 1982 contemplated the addition of a fourth stacker/reclaimer, which, together with associated conveyor systems, is the principal addition now contemplated. Westshore also plans to convert the second barrel of the tandem rotary dumper to accommodate the shorter aluminium rail cars, the use of which has become more prevalent (the first barrel of the tandem dumper was converted for that purpose in 1998). All these additions will make the terminal site more productive and efficient, so that the waiting and unloading/loading times for trains and vessels will be reduced,

avoiding congestion which would otherwise result from increased shipments. All of the upgrades will be within the existing terminal site. The anticipated cost of the upgrades is approximately \$45 million (in 2006 dollars), which will be funded through a combination of cash on hand and the proceeds of the offering of the Rights and the private placement to JPD. The estimated cost of the components of the upgrades is as follows: conveyors: \$15.3 million; conversion of tandem rotary dumper: \$4.7 million; new stacker/reclaimer: \$25 million, including associated engineering, and project management fees, indirect costs and contingency reserves. It is expected that the upgrades will be completed before the end of 2008, and that the upgrades will be completed without any material disruption of its throughput capacity during the implementation phase, and in sufficient time to enable it to handle the anticipated increase in throughput.

STATEMENT AS TO RESALE RESTRICTIONS

Applicable securities legislation in certain Provinces and Territories of Canada contain provisions restricting the ability of a holder to sell or otherwise transfer (“trade”) the Rights and the Offered Units issued upon exercise of the Rights (collectively, the “Securities”), without certain conditions having been fulfilled or compliance with applicable prospectus requirements. The following is a general summary of the foregoing provisions governing the first trades in the Securities in the jurisdictions in Canada in which this offering is being made. Additional restrictions apply to “insiders” of the Fund and holders of Securities who are “control persons” or the equivalent or who are deemed to be part of what is commonly referred to as a “control block” in respect of the Fund for purposes of applicable securities legislation. **However, each holder is urged to consult its professional advisers to determine the exact conditions and restrictions applicable to such right to trade in Securities.**

Pursuant to National Instrument 45-102 – *Resale of Securities*, the first trade in securities issued in reliance upon the prospectus exemptions of applicable Canadian securities legislation is exempt from the prospectus requirements of such legislation if: (a) the issuer is a “reporting issuer” in a jurisdiction of Canada for the four months immediately preceding the trade; (b) the trade is not a “control distribution” as described in applicable securities legislation; (c) no unusual effort is made to prepare the market or to create a demand for the securities; (d) no extraordinary commission or consideration is paid in respect of such trade; and (e) if the seller is an insider or officer of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of applicable securities legislation.

The Fund has been a reporting issuer for more than twelve months in each of the Provinces of Canada in which the offering is being made. Holders of the Securities issued in reliance upon applicable exemptions from prospectus requirements in any Canadian Province or Territory will be permitted to freely trade their Securities so long as the foregoing conditions are met or must rely on other exemptions under applicable securities legislation in order to effect trades of the Securities.

THE FOREGOING IS A SUMMARY ONLY AND IS NOT INTENDED TO BE EXHAUSTIVE. HOLDERS OF THE SECURITIES SHOULD CONSULT WITH THEIR ADVISORS CONCERNING RESTRICTIONS ON RESALE, AND SHOULD NOT RESELL THEIR SECURITIES UNTIL THEY HAVE DETERMINED THAT ANY SUCH RESALE IS IN COMPLIANCE WITH THE REQUIREMENTS OF APPLICABLE LEGISLATION.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the principal Canadian federal income tax considerations of the receipt of Rights under the offering. This summary is only applicable to Unitholders who, for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”), are resident in Canada, deal at arm’s length with the Fund and hold their Fund Units, and will hold the Rights, and the Offered Units issued pursuant to the exercise of the Rights, as capital property. This summary is based on the current provisions of the

Tax Act, the regulations thereunder (the “Regulations”) and the current administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) publicly available prior to the date hereof.

This summary does not apply to a Unitholder that is a “financial institution” or “specified financial institution” as defined for purposes of the Tax Act, nor does it apply to a taxpayer an interest in which is a tax shelter investment for the purposes of the Tax Act.

This summary is of a general nature only and does not take into account or consider the tax laws of any Province or Territory or of any jurisdiction outside Canada. This is a general summary of the principal Canadian federal income tax considerations of the receipt of Rights under the offering. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Unitholder, and no representations concerning the tax consequences to any particular Unitholder are made. Unitholders should consult their own tax advisers regarding the income tax considerations applicable to them having regard for their particular circumstances.

Receipt of Rights

No amount will be required to be included in computing the income of a Unitholder as a consequence of acquiring Rights under the offering. The cost of a Right received under the offering will be nil. The cost of a Right acquired by a Unitholder will be averaged with the adjusted cost base to the Unitholder of any other Rights held at that time as capital property to determine the adjusted cost base of each such Right to the Unitholder.

Exercise of Rights

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Rights. For its purposes, the Fund intends to issue each Offered Unit for \$10.45. Although the Fund believes that such allocation of the aggregate subscription price per Offered Unit is reasonable, such allocation is not binding on the CRA. An Offered Unit acquired by a Unitholder upon the exercise of a Right will have a cost to the Unitholder equal to the portion of the subscription price allocated to such Offered Unit and the adjusted cost base, if any, to the Unitholder that has been allocated to each Offered Unit in respect of the Right so exercised. The cost of an Offered Unit acquired by a Unitholder upon the exercise of Rights will be averaged with the adjusted cost base to the Unitholder of all other Offered Units held at that time as capital property to determine the adjusted cost base of each such Offered Unit to the Unitholder.

Disposition of Rights

Upon the disposition of a Right by a Unitholder, other than pursuant to the exercise thereof, the Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Right to the Unitholder. One half of a capital gain (a “taxable capital gain”) will be included in the Unitholder’s income, and one half of a capital loss (an “allowable capital loss”) may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard.

Expiry of Rights

Upon the expiry of an unexercised Right, a Unitholder will realize a capital loss equal to the adjusted cost base, if any, of the Right to the Unitholder.

Recent Announcements Regarding Income Funds by the Minister of Finance

On October 31, 2006, the federal Minister of Finance announced proposed changes to the Tax Act affecting the taxation of income trusts, such as the Fund, and their unitholders (the “Proposals”). On December 15, 2006, the Minister of Finance announced certain guidelines regarding the specific application of the Proposals (the “Guidelines”).

The Proposals include the application of a tax on distributions made by income trusts. The application of this new tax to the Fund and its Unitholders is deferred until 2011. However, the Guidelines provide that the application of the new tax will not be deferred if the Fund issues more than the greater of 40% of its market capitalization as at the end of trading on October 31, 2006 and \$50 million of new Fund Units from November 1, 2006 to the end of 2007. As the proceeds of the offering of Fund Units upon exercise of the Rights and the private placement to JPD is less than this amount, the issue of Fund Units will not result in the loss of the deferral of the application of the new tax to the Fund and its Unitholders.

THE FUND

The Fund is an open-ended trust that was established on December 2, 1996 under the laws of British Columbia. The Fund owns all of the limited partnership units of Westshore, a partnership established under the laws of British Columbia. The Fund distributes to its Unitholders on a quarterly basis available cash received from Westshore less the Fund’s expenses.

The Fund does not conduct any active business. The Fund 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, which is the largest coal loading facility on the west coast of the Americas. The Fund’s principal office is located at 1800 – 1067 West Cordova Street, Vancouver, British Columbia V6C 1C7.

It is expected that the Fund will be operated so that all of the net income of Westshore’s business will be taxed in the hands of Unitholders. In the event that the Fund has less cash available for distribution than the amount of Westshore’s net income (less the administrative costs of the Fund) in a particular period, more income may be allocated to Unitholders than cash received by them. See “Risk Factors – Risks Inherent on Investment in Fund Units – Income Tax Matters”

BUSINESS OF WESTSHORE

Westshore operates a coal storage and loading terminal on land leased from the Vancouver Port Authority (the “VPA”) located on a man-made island at Roberts Bank, British Columbia. The terminal is approximately 30 kilometres south of Vancouver and is the largest coal loading facility on the west coast of the Americas.

Westshore operates the terminal on a throughput basis and is paid a handling charge by its customers when the coal is loaded on a ship. Westshore does not take title to the coal it handles under its customers’ contracts. Market conditions for coal affect the competitiveness of Westshore’s customers and, as a result, affect the volume of coal handled by Westshore. Westshore handles and loads coal from mines in British Columbia and Alberta, as well as small quantities from mines located in the northwestern United States. Coal shipped from mines owned by the Elk Valley Coal Partnership (“Coal Partnership”) accounted for approximately 95% of Westshore’s coal revenues in 2005.

Coal is delivered to the terminal in unit trains operated by Canadian Pacific Railway, Canadian National Railways and BNSF Railway and is then unloaded and either directly transferred onto a ship or stockpiled for future ship loading. Ultimately, the coal is loaded onto ships that are destined for approximately 20 countries worldwide, with the largest volumes presently being shipped to Asia and Europe. Westshore provides service to its customers seven days a week, 24 hours a day.

RISK FACTORS

Any of the following risks could materially and adversely affect Westshore's, and therefore the Fund's, business, results of operations and financial condition, which in turn could materially and adversely affect the ability of the Fund to pay distributions on the Fund Units and the value of the Fund Units. In addition to the risk factors listed below, businesses are often subject to risks not foreseen or fully appreciated by management. In reviewing these risk factors investors should keep in mind other possible risks that could be important.

Risks Relating to Westshore's Business

Cash Distributions May Fluctuate

The amounts of the distributions to be distributed by the Fund to the Unitholders will depend entirely upon the amount of distributions paid by Westshore to the Fund. The ability of Westshore to pay distributions to the Fund depends on a number of factors, including those identified in the following risk factors.

Dependence on Coal

As a single purpose port facility, Westshore's profitability is principally determined by the volume of coal, particularly metallurgical coal, shipped by its customers through the terminal and the rates paid by Westshore's customers. Volumes exported, prices received by Westshore's customers for coal products and the competitiveness of Westshore's customers are affected by numerous factors beyond the control of Westshore or its customers, including the demand for steel and steel-based products, the availability of cost competitive coal supplies, currency exchange rates, political and economic conditions and production costs in major coal producing regions.

The effect of any or all of these factors on coal prices and export volumes is virtually impossible for Westshore or its customers to predict. If realized coal prices fall below the full cost of production for any coal operations belonging to Westshore's customers, they will experience operating losses and may decide to discontinue those operations for a period of time, thus reducing the coal volumes being shipped through the terminal and Westshore's profitability.

Reduction in Coal Prices

The reference price for metallurgical coal shipped by Westshore was US\$122 per tonne for the 2005/06 coal contract year and declined to US\$109 per tonne for the 2006/07 coal year. Reference prices are expected to further decline for the 2007/08 coal year. Any significant reduction in the coal price received by Westshore's customers, whether due to a reduction of the US dollar price for coal and/or currency fluctuations (see "Risk Factors – Risks Relating to Westshore's Business – Foreign Currency Fluctuations"), could materially adversely affect the financial performance of Westshore.

Dependence Upon Key Customer

Westshore is highly dependent upon a key customer for a significant amount of its throughput. Mines owned by the Coal Partnership accounted for approximately 95% of Westshore's coal revenues in 2005 and 93% in 2004. If, for any reason, shipments from this customer are either materially reduced or terminated, this would materially adversely affect the financial performance of Westshore.

Loading Contracts

Westshore operates under various term contracts with its customers. The expiry dates of these contracts range between 2007 and 2017.

In 2010, the contract that covers production from the Elkview mine will expire. This contract accounted for 23% of Westshore's coal loading revenue in 2006 and 27% in 2005. In July, 2006, Westshore was successful in an arbitration proceeding regarding rates charged under the Elkview contract, which the arbitrator ruled should continue to be determined on the agreed contractual basis to 2010. The Coal Partnership sought and obtained leave from the British Columbia Supreme Court to appeal the arbitrator's decision to that Court, but Westshore has been successful in obtaining leave to appeal that decision to the British Columbia Court of Appeal. If Westshore is successful in a full hearing by the British Columbia Court of Appeal, the arbitrator's decision will stand and there will be no change to the rates. If Westshore is not successful in the full hearing by the British Columbia Court of Appeal the Coal Partnership's appeal from the arbitrator's decision will be held by the British Columbia Supreme Court.

In 2012, the Port Services Agreement covering the Fording River, Greenhills and Coal Mountain mines will expire. These three mines together accounted for approximately 54% of Westshore's coal loading revenue in 2005. The Coal Partnership holds a 46% interest in the company that owns Neptune terminal, which is Westshore's most direct competitor. In October, 2006, the Coal Partnership sent notice to Westshore requesting a review of charges under the Port Services Agreement, which request is under negotiation between the parties and which may be subject to arbitration in 2007 if agreement cannot be reached.

New contracts will need to be negotiated when each contract expires. No assurances can be given that new contracts on acceptable terms can be negotiated or will be entered into.

Foreign Currency Fluctuations

The throughput of the terminal is wholly dependent on the success of Westshore's customers selling coal in the international markets. A key factor that impacts the competitiveness of Canadian coal is exchange rates. World coal prices are quoted in U.S. dollars while the operating costs of Westshore's customers are generally incurred in Canadian dollars. Subject to hedging arrangements entered into by Westshore's customers, currency exchange fluctuations can play a role in determining the relative competitiveness of coal producers from different countries. As a result, the fluctuations in the value of the Canadian dollar relative to other currencies, especially the U.S. dollar and the Australian dollar, could significantly affect Westshore's throughput and therefore its financial performance.

At current coal prices, the rates charged by Westshore for approximately half of the coal loaded for the Coal Partnership are tied to the Canadian dollar price realized by the Coal Partnership for such coal. Since most coal sales are denominated in U.S. dollars, Westshore's loading rates and revenue for a portion of its throughput are directly affected by movements in the value of the Canadian dollar relative to the U.S. dollar. To mitigate the impact of short-term fluctuations in the exchange rate, Westshore has entered into limited hedging transactions, as described in the Fund's Annual Report.

Rail Transportation

All export coal loaded onto ships at the terminal is delivered to the terminal by Canadian Pacific Railway, Canadian National Railways and BNSF Railway. All coal arrives at the terminal via an access line belonging to B.C. Rail Ltd. Service interruption at any of these rail carriers may result in lost sales by Westshore's customers. Significant cost escalation for these services will reduce the profitability of Westshore's customers and may increase the full cost of production at affected operations to a level that is in excess of realizable coal prices, thus reducing the volume of coal shipped through the terminal.

Labour Relations

The terminal is operated by a unionized workforce whose collective agreements expire on January 31, 2007. Negotiations with the bargaining agents have not yet commenced. The Fund does not anticipate any unusual bargaining difficulties in the negotiation of a new collective agreement with its workforce and that, in due course, new collective agreements will be reached. The operations of Westshore's customers, the rail service providers and the tugboat and other marine service providers are also operated by unionized workforces. Strikes or lockouts affecting any of these operations could restrict the ability to produce or transport coal to purchasers and adversely affect Westshore's financial performance.

Operation on Leased Premises

Westshore operates from premises leased from the VPA. The lease agreement with the VPA gives Westshore the right to extend its lease to 2046. Upon expiration of the VPA lease, Westshore would be unable to operate its business from its present location and it is unlikely that an alternative location would be available.

Environmental Costs and Liabilities

Westshore's operations are subject to Canadian federal and British Columbia provincial laws and regulations relating to environmental protection and operational safety.

Although Westshore believes that the current operation of its business is in compliance with all applicable environmental and safety regulations, it is possible that other developments, such as increasingly strict environmental and safety laws, regulations and enforcement policies thereunder, and claims for damages to persons or property resulting from Westshore's operations, could result in significant costs and liabilities to Westshore.

At present there are no restrictions on the height or configuration of the coal piles at the terminal. In the future, if regulatory restrictions on the height or configuration of coal piles were enacted, they could have a negative effect on Westshore's storage capacity, which in turn could impact total throughput. If new environmental requirements are enacted, or if the standards in Westshore's permits are made more onerous, Westshore could be required to incur expenditures to meet enhanced requirements or standards.

Earthquakes/Windstorms

The terminal is located at sea level on a man-made island that is situated in an earthquake zone. In the event of an earthquake or a tsunami, the terminal could be damaged or destroyed and/or the operations of the terminal could be subject to serious long-term disruption. In addition, the terminal is exposed to windstorms. Westshore generally manages this risk by suspending loading operations during periods of high winds. However, it is not always possible to anticipate sudden increases in wind speed or wind gusts, as demonstrated by the January 2, 2003 windstorm that caused significant damage to the loading facilities at Berth 2. Westshore carries insurance for these risks in amounts and on such terms as it considers

reasonable. However, there can be no assurance that such insurance will be adequate to cover potential risks.

Terrorism, Military Conflict and Public Health Concerns

Future terrorist attacks, military conflicts or public health concerns could affect the demand for the coal shipped by Westshore, as a result of impacts on local or regional economies or the global economy. Such attacks, conflicts or concerns could also significantly increase the risks or the costs of shipping coal to the markets served by Westshore's customers, with a resulting decrease in the price received by Westshore's customers or the volumes of coal shipped by Westshore.

Risks Inherent in an Investment of Fund Units

The Market Price of the Fund Units Could Be Substantially Affected by Various Factors

As with other publicly traded securities, the market price of the Fund Units will depend on many factors that are not within the Fund's control and may change from time to time, including:

- the extent of investor interest in the Fund, the metallurgical coal industry or businesses related to the metallurgical coal industry;
- the market for income trust units and the attractiveness to investors of income trust units in comparison to other equity securities or debt securities;
- general equity and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of the Fund Units to demand a higher annual return from future distributions;
- terrorist activity, military conflict or public health concerns could adversely affect the markets in which the Fund Units trade, possibly increasing market volatility and causing a downturn in financial markets or the economy;
- general economic conditions; and
- Westshore's financial condition, performance and prospects.

Other factors such as governmental regulatory action and changes in, or anticipated changes or uncertainties relating to, tax laws could also have a significant effect on the future market price of the Fund Units.

Earnings and Cash Distribution and Interest Rates May Affect the Price of the Fund Units

As a business income fund, the market price of the Fund Units is, in general, based primarily upon the market's perception of the Fund's current and potential earnings, cash flow and distributions. For this reason, the Fund Units may trade at prices that are higher or lower than those implied by the Fund's or Westshore's earnings or the market value of Westshore's business and assets. To the extent that Westshore retains operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while potentially increasing the value of Westshore's underlying assets, may not correspondingly increase the market price for the Fund Units.

The Fund's failure to meet the market's expectations with regard to future earnings, cash flow or distributions likely would adversely affect the market price of the Fund Units. Further, the current or expected distributions on the Fund Units (as a percentage of the price of the Fund Units) relative to interest rates may also influence the price of the Fund Units. An increase in interest rates, or a market expectation of higher interest rates, could result in a significant reduction in the market price of the Fund Units if prospective purchasers of the Fund Units require a higher distribution return relative to their investment.

Dependence on Westshore

Investment in the Offered Units may be regarded as speculative due to the nature of the Fund's business. The Fund is an open ended, limited purpose trust that is entirely dependent on the operations and assets of Westshore through the Fund's indirect ownership of the limited partnership units and notes of Westshore. Although the Fund intends to distribute the income earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Fund Units, there can be no assurance regarding the amounts of income to be generated by Westshore and therefore funds available to the Fund. Accordingly, the Fund's ability to make cash distributions is dependent upon the ability of Westshore to pay distributions on the limited partnership units, which ability, in turn, is dependent upon the operations and assets of Westshore.

The actual amount paid or distributed by Westshore to the Fund, and distributed by the Fund to Unitholders, will depend upon numerous factors including profitability, management fees payable by Westshore Terminals Ltd., the general partner of Westshore (the "General Partner"), fluctuations in working capital, the sustainability of margins and capital expenditures. The Fund is of the view that all expenses to be claimed by the Fund and Westshore will be reasonable and deductible. However, taxation authorities may take the view that certain income or expense transactions should be treated differently for tax purposes, any of which could materially adversely affect returns to Unitholders.

Nature of Fund Units

Fund Units are not debt securities. A Unitholder's investment in Fund Units is subject to substantially the same risks as if it were a direct equity investment in Westshore. However, the Fund Units do not represent a direct investment in Westshore and should not be viewed by investors as limited partnership units of Westshore. The Fund Units represent a fractional interest in the Fund. The Fund's primary assets are the limited partnership units of Westshore. The market price per Fund Unit is a function of anticipated distributable cash and other market factors. The market price of the Fund Units will vary and at any given time may be affected by general economic and market conditions, interest rates and other factors. See "Risk Factors – Risks Inherent in an Investment of Fund Units – The Market Price of the Fund Units Could Be Substantially Affected by Various Factors" and "– Earnings and Cash Distributions and Interest Rates May Affect the Price of the Fund Units".

The Fund Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Capital Investment

The timing and amount of capital expenditures by Westshore will directly affect the amount of income available for distribution to Unitholders. Distributions may be reduced at times when significant capital or other expenditures are made.

Restrictions on Potential Growth

The payout by Westshore of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Westshore and its cash flow.

Distribution of Securities on Redemption or Termination of the Fund

Upon redemption of Fund Units or termination of the Fund, the Trustees may distribute directly to the Unitholders, notes of Westshore Terminals Holdings Trust (the "Holdings Trust"), subject to obtaining any required regulatory approvals and complying with the requisite terms and conditions of such approvals. The Holdings Trust is an unincorporated open-ended limited purpose trust established under the laws of British Columbia with the Fund as its sole unitholder. Notes of the Holdings Trust so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time. In addition, no public market may exist for such notes and, accordingly, they may not be capable of being readily disposed of.

Dilution of Unitholders' Interests

If a Unitholder does not elect to exercise its Rights in full, the Fund Units currently held by that Unitholder, as a proportion of the outstanding Fund Units, may be diluted as a result of the exercise of Rights by other Unitholders.

The Declaration of Trust authorizes the Fund to issue an unlimited number of Fund Units for the consideration and on those terms and conditions as are established by the Trustees without the approval of any Unitholders. Any further issuance of Fund Units may dilute the interests of existing Unitholders.

Income Tax Matters

Westshore's income is subject to Canadian tax laws and the Fund is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of distributable cash available to Unitholders. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects Unitholders. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, that could have material and adverse income tax consequences for the Fund and Unitholders.

The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's taxable income. Where Westshore has taxable income in excess of amounts distributed to the Fund, the Declaration of Trust provides that additional Fund Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those Fund Units in their taxable income, even though they do not directly receive a corresponding cash distribution. These additional Fund Units are automatically consolidated so that each Unitholder continues to hold the same number of Fund Units that existed before the distribution.

On October 31, 2006, the federal Minister of Finance announced proposed changes to the Tax Act affecting the taxation of income trusts, such as the Fund, and their unitholders (the "Proposals"). On December 15, 2006, the Minister of Finance announced certain guidelines regarding the specific application of the Proposals (the "Guidelines").

The Proposals include the application of a tax on distributions made by income trusts. The application of this new tax to the Fund and its Unitholders is deferred until 2011. However, the Guidelines provide that the application of the new tax will not be deferred if the Fund issues more than the greater of 40% of its market capitalization as at the end of trading on October 31, 2006 and \$50 million of new Fund Units from November 1, 2006 to the end of 2007.

Investment Eligibility

There can be no assurance that the Fund Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts and registered education savings plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

Unitholder Limited Liability

The Trust has been established under the laws of British Columbia and therefore is not subject to the statutory limited liability provided under Alberta law or Ontario law for unitholders of trusts established under the laws of Alberta or Ontario.

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs or for any act or omission of the Trustees and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, each Unitholder's share of the Fund assets, as represented by the Fund Unit certificates. The Declaration of Trust further provides that all written instruments signed by or on behalf of the Fund shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be binding upon Unitholders personally and that such provision or acknowledgment shall be held in trust and enforced by the Trustees for the benefit of the Unitholders.

However, in conducting its affairs, the Fund will assume certain contractual obligations and may have to assume further obligations in the future. Although the Trustees will use reasonable efforts to have any contractual obligations modified so as not to have such obligations binding upon any of the Unitholders personally, they may not obtain such a modification in all cases. To the extent that any claims under such contracts are not satisfied by the Fund, there is a risk that a Unitholder will be held personally liable for obligations of the Fund where the liability is not disavowed as described above. Personal liability may also arise in respect of claims against the Fund (to the extent that claims are not satisfied by the Fund assets) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The business of the Fund and its wholly-owned subsidiary, Westshore, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions so as to avoid, as much as possible, any material risk of liability to the Unitholders for claims against the Fund including obtaining appropriate insurance, where available, for the operations of Westshore and ensuring that all written agreements signed by or on behalf of the Fund include a provision that such obligations are not binding upon Unitholders personally. However, there can be no assurance that a Unitholder will not be subject to liability in the future, although the possibility of any personal liability of this nature arising is considered remote.

INTENTION OF INSIDERS TO EXERCISE RIGHTS

The Fund has been advised by certain of the trustees and senior officers of the Fund and certain of the directors and senior officers of the General Partner that they will exercise the Rights they will receive under the offering, including in some cases, Rights available under the Additional Subscription Privilege, if available, (subject in each case to compliance with the laws of the jurisdiction in which they are resident), however, no commitments to do so have been made.

OWNERSHIP OF FUND UNITS

To the knowledge of the trustees of the Fund, other than as set forth in the following paragraph, no person or corporation other than JPD beneficially owns, directly or indirectly, or exercises direction or control over more than 10% of the voting rights attached to the issued and outstanding Fund Units. As of January 19, 2007, CDS & Co. holds in aggregate 68,930,402 Fund Units. The trustees have no knowledge as to the other beneficial holders of the Fund Units held by CDS & Co. which are 10% or more of the outstanding Fund Units. To the knowledge of the trustees of the Fund, there have been no transfers or issuances of Fund Units that have materially affected the control of the Fund since December 31, 2005.

As of January 19, 2007, JPD owns, directly and indirectly (through a wholly-owned subsidiary), 7,103,800 Fund Units, representing approximately 10.09% of the Fund Units. Through an agreement with the Fund, JPD has agreed to acquire 1,913,875 Fund Units at \$10.45 per Fund Unit on a private placement basis, subject to regulatory approval. Under the Standby Commitment, JPD may purchase up to 1,757,703 Fund Units in addition to those it will receive upon exercise of the Rights it will receive as an existing Unitholder. Upon completion of the transaction, JPD would hold not less than 9,215,001 Fund Units or approximately 12.4% of the Fund, and if none of the other existing Unitholders exercise their Rights, JPD would hold 10,972,702 Fund Units, or approximately 14.8% of the Fund.

PURCHASERS' STATUTORY RIGHTS

Under the securities legislation of certain of the Provinces and Territories of Canada, persons who purchase Offered Units under this offering may have the right to rescind their purchase of such Offered Units or to damages against the Fund in the event that this circular or any amendment to it contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statement not misleading in light of the circumstances in which it was made. Any such rights must be exercised within the time limit prescribed by applicable legislation. Purchasers should refer to the provisions of applicable legislation or consult with a legal adviser with respect to any such rights they may have.

Saskatchewan

In Saskatchewan, a subscriber for securities issuable upon the exercise of the Rights is given certain statutory rights of action under *The Securities Act, 1988* (Saskatchewan) (the "Saskatchewan Act"). These rights are:

1. subsection 138(1) – a right of action for rescission or for damages where the rights offering circular or any amendment thereto contains a misrepresentation;
2. subsection 138.1(3) – a right of action for misrepresentation in advertising and sales literature;
3. subsection 138.2(1) – a right of action for damages for verbal misrepresentation in the sale of securities;
4. subsection 141(1) – a right to void the purchase agreement and recover the purchase price if the securities are sold in contravention of the Saskatchewan Act or the regulations to the Saskatchewan Act; and
5. subsection 141(2) – a right of action for rescission or for damages if the rights offering circular is not delivered to the investor before the agreement to purchase, as required by subsection 80.3(1) of the Saskatchewan Act.

A subscriber should refer to the provisions of the Saskatchewan Act for particulars of these rights or consult with a lawyer. These rights given by the Saskatchewan Act are in addition to and without derogation from any other right or remedy which a subscriber might have at law. Pursuant to section 147 of the Saskatchewan Act statutory rights of action must be exercised within certain time periods. An action for rescission must be started within 180 days after the date of the transaction that gave rise to the action. An action for damages must be started by the earlier of (a) one year after the investor first had knowledge of the facts giving rise to the action; or (b) six years after the date of the transaction that gave rise to the action.

WEBSITE

Copies of the financial statements and other continuous disclosure documents filed by the Fund with Canadian securities regulatory authorities can be obtained from the Fund's SEDAR profile at www.sedar.com.

ENQUIRIES

Enquiries relating to this offering should be addressed to:

The Fund

Westshore Terminals Income Fund
1800 – 1067 West Cordova Street,
Vancouver, BC V6C 1C7

Attention: Nick Desmarais
Telephone: (604) 688-6764
Facsimile: (604) 687-2601

Subscription Agent

Computershare Investor Services Inc.
100 University Avenue
9th Floor
Toronto, ON M5J 2Y1

Attention: Corporate Actions
Telephone: 1 800 564 6253