Westshore Terminals Investment Corporation
Third Quarter Report
For the three and nine months ended September 30, 2020

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"). Substantially all of Westshore's operating revenues in 2020 are expected to be derived from rates charged for loading coal onto seagoing vessels.

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 substantial portion of the Terminal's estimated capacity. Westshore has received reservation payments from a customer developing a metallurgical coal mine in Alberta. These payments will be recognized as revenue over the term of the loading contract.

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 with respect to future revenues, expected loading rates, strength of markets for metallurgical and thermal coal, expected throughput volumes, the possible impacts of the COVID-19 pandemic, the effect of the Canadian/US dollar exchange rate, the future cost of post-retirement benefits, adoption and impact of new accounting standards 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.

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

The unaudited financial results along with management's discussion and analysis contained in this report should be read in conjunction with the annual audited financial statements and management's discussion and analysis included in the Corporation's Annual Report for the year ended December 31, 2019. The date of this management's discussion and analysis and results of operations is November 3, 2020.

The following table sets out selected consolidated financial information of the Corporation for the three and nine months ended September 30, 2020. As of November 3, 2020, the Corporation has 63,438,935 (December 31, 2019 - 66,473,855) issued and outstanding shares. The Corporation renewed its normal course issuer bid ("NCIB") effective April 13, 2020 for another year which allows the Corporation to purchase up to 3,253,787 Common shares in the following 12 months. 2,945,812 common shares have been purchased during 2020 up to and including November 3, 2020 for a total of $45,805,000. In 2019, a total of 850,090 Common shares were repurchased for a total of $17,780,000. Of the total 2020 purchases, 1,458,494 shares were purchased between April 13 and November 3, 2020 for a total of $22,725,000.

(In thousands of Canadian dollars except per share amounts and where noted)	**Three Months Ended**		**Nine Months Ended**	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
	$	**$**	**$**	**$**
Tonnage (000 tonnes)	6,786	8,340	22,180	22,825
Revenue	89,449	104,918	278,637	292,431
Profit before taxes	44,266	55,774	131,592	141,004
Profit for the period	32,305	40,704	96,032	102,901
Profit for the period per share(1)	0.50	0.61	1.48	1.54
Dividends declared	10,237	10,671	31,056	32,014
Dividends declared per share	0.16	0.16	0.48	0.48
Share volume repurchased (000 shares)	947	-	2,468	538
Cost of shares repurchased	15,216	-	38,764	11,922

(1) Weighted average shares outstanding for the quarter ended September 30, 2020 was 64,677,138 (September 30, 2019 - 66,696,625) and for the year to date was 65,081,562 (2019 - 66,736,889).

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

(In thousands of Canadian dollars except per share amounts and where noted)	Three Months Ended			
	Sep 30, 2020	**Jun 30, 2020**	**Mar 31, 2020**	**Dec 31, 2019**
	$	**$**	**$**	**$**
Tonnage (000 tonnes)	6,786	7,683	7,711	8,209
Revenue	89,449	96,816	92,372	102,991
Profit before taxes	44,266	47,484	39,842	49,994
Profit for the period	32,305	34,653	29,074	36,484
Profit for the period per share	0.50	0.53	0.44	0.55
Dividends declared	10,237	10,378	10,441	10,637
Dividends declared per share	0.16	0.16	0.16	0.16
Shares repurchased (000 shares)	947	301	1,220	312
Cost of shares repurchased	15,216	4,025	19,523	5,858

(In thousands of Canadian dollars except per share amounts and where noted)	Three Months Ended			
	Sep 30, 2019	**Jun 30, 2019**	**Mar 31, 2019**	**Dec 31, 2018**
	$	**$**	**$**	**$**
Tonnage (000 tonnes)	8,340	7,582	6,903	7,399
Revenue	104,918	98,714	88,799	90,062
Profit before taxes	55,774	47,923	37,307	42,129
Profit for the period	40,704	34,960	27,237	30,910
Profit for the period per share	0.61	0.52	0.41	0.46
Dividends declared	10,671	10,672	10,671	10,767
Dividends declared per share	0.16	0.16	0.16	0.16
Shares repurchased (000 shares)	-	-	538	734
Cost of shares repurchased	-	-	11,922	17,583

Results of Operations

(In thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Revenue:				
Coal loading	85,002	102,931	266,777	286,815
Other	4,447	1,987	11,860	5,616
	89,449	104,918	278,637	292,431
Expenses:				
Operating	39,381	43,232	127,296	131,802
Administrative	3,698	3,606	12,091	11,640
	43,079	46,838	139,387	143,442
Other:				
Foreign exchange gain (loss)	365	294	(168)	1,012
Gain (loss) on disposal of property, plant and equipment	23	(54)	24	(152)
Net finance costs	(2,492)	(2,546)	(7,514)	(8,845)
Profit before income tax	44,266	55,774	131,592	141,004
Income tax expense	11,961	15,070	35,560	38,103
Profit for the period	32,305	40,704	96,032	102,901
Other comprehensive loss, net of income tax:	(1,820)	(5,394)	(14,035)	(14,299)
Total comprehensive income for the period	30,485	35,310	81,997	88,602

Quarterly analysis.

Tonnage shipped for Q3 2020 was 6.8 million tonnes compared to 8.3 million tonnes for the same period in 2019. Of the tonnes shipped in Q3 2020, 72% was metallurgical coal and 28% was thermal coal, compared to 57% and 43% respectively for the same period in the prior year.

Coal loading revenue decreased by 17.4% to $85.0 million for Q3 2020 compared to $102.9 million for the same period in 2019. Volumes were down 18.6% for the quarter (year over year) while the average loading rate in Q3 2020 was $12.53 per tonne compared to $12.34 per tonne through the same period in 2019. Q3 2020 volume was in line with expectations, and is lower than Q3 2019 as well as the first two quarters of 2020 due to timing of our customer shipments.

Other revenues, totalling $4.4 million in Q3 2020, consisted of $2.6 million of customer shortfall payments with the remainder primarily being wharfage fees. Other revenues for the same period in 2019 was $2.0 million and consisted primarily of wharfage fees.

Operating expenses decreased by 8.9% to $39.4 million for Q3 2020 compared to $43.2 million for the same period in 2019 primarily as a result of reduced volumes. Operating cost reductions continue to be a key focus of the terminal operations.

Administration expenses of $3.7 million in Q3 2020 increased from the $3.6 million incurred in the same period of 2019.

Foreign exchange gain of $0.4 million in Q3 2020 increased from $0.3 million in the same period of 2019. Q3 2020 included a $0.5 million unrealized gain on the mark to market of FX hedging contracts slightly offset by FX losses due to a strengthening Canadian dollar relative to the US dollar on US denominated assets.

Net finance costs were consistent at $2.5 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 $12.0 million in Q3 2020 from $15.1 million in Q3 2019 due to lower profits before taxes in 2020.

Profit in the quarter decreased to $32.3 million in 2020 from $40.7 million in 2019, as a result of the lower revenues from lower volumes.

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 loss for the third quarter decreased to $1.8 million in 2020 from $5.4 million in 2019. The change in the third quarter of both 2020 and 2019 was caused by a 0.25% decrease in the discount rate which increased the post-retirement obligations. This was partially offset by plan assets performing better than actuarial expectations.

Year to date analysis

Tonnage shipped in 2020 year to date was 22.2 million tonnes compared to 22.8 million tonnes in 2019. Of the tonnes shipped in 2020, 66% was metallurgical coal and 34% was thermal coal, compared to 65% and 35% respectively for 2019. Year to date coal loading revenue decreased by 7.0% to $266.8 million in 2020 from $286.8 million in 2019. Volumes were down 2.8% year over year and the average loading rate for 2020 to the end of Q3 was $12.03 per tonne compared to $12.57 per tonne for 2019, in line with budget.

Year to date other revenue totalling $11.9 million, consisted of $5.6 million of customer shortfall payments with the remainder primarily being wharfage income. Other revenue for the same period in 2019 was $5.6 million and consisted primarily of wharfage income.

Year to date operating expenses decreased by 3.4% to $127.3 million compared to $131.8 million for the same period in 2019.

Year to date administrative expenses increased to $12.1 million in 2020 from $11.6 million in 2019.

Year to date net finance costs decreased to $7.5 million in 2020 from $8.8 million in 2019, driven by lower interest expense on the employee benefit plan expense and higher 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.

Year to date income tax expense decreased to $35.6 million in 2020 from $38.1 million in 2019 due to the lower profits before taxes.

Year to date profit decreased to $96.0 million in 2020 from $102.9 million in 2019, primarily as a result of the lower revenues.

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).

Year to date after tax other comprehensive loss decreased to $14.0 million in 2020 from $14.3 million in 2019. The change in 2020 was caused by a 0.50% decrease in the discount rate which increased the post-retirement obligations while plan assets performed in line with actuarial expectations. The change in 2019 was caused by a 1.0% decrease in the discount rate which increased the post-retirement obligations., which was partially offset by plan assets performing better than actuarial expectations.

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.

(In thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Operating cash flows before working capital changes, lease obligation interest and income tax payments	53,447	64,812	161,291	167,442
Working capital changes	6,563	(2,704)	(4,153)	(13,318)
Lease obligation interest paid	(2,280)	(2,299)	(6,839)	(6,898)
Income tax paid	(18,690)	(9,600)	(25,090)	(37,601)
Cash flows provided by operations	39,040	50,209	125,209	109,625
Cash flows used in financing activities	(24,792)	(11,053)	(71,582)	(46,620)
Cash flows used in investing activities	(3,522)	(4,622)	(13,051)	(19,480)
Increase in cash and cash equivalents	10,726	34,534	40,576	43,525

Quarterly analysis

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments for the third quarter decreased by 18% to $53.4 million in 2020 from $64.8 million for the same period in 2019. Working capital changes in the third quarter resulted in a $6.6 million inflow in 2020 compared to a $2.7 million outflow for the same period in 2019, primarily due to change in accounts receivable which fluctuates depending on timing of receipts. Lease obligation interest payments are marginally lower as the lease liability is paid down. Income tax payments in the third quarter increased to $18.7 million in 2020 from $9.6 million for the same period in 2019 due to the end of tax instalment deferrals provided by government in response to the COVID-19 pandemic. Cash flow from operations in the third quarter decreased to $39.0 million in 2020 from $50.2 million for the same period in 2019.

Cash used in financing activities for the third quarter increased to $24.8 million in 2020 from $11.1 million for the same period in 2019. During Q3 2020, the Corporation purchased under its NCIB 947,417 shares for approximately $15.2 million of which $1.0 million remained unpaid at period end due to the timing of settlements. No shares were repurchased in Q3 2019. Total cash outlay for dividends paid to shareholders decreased compared to 2019 as there are fewer shares outstanding.

Cash used in investing activities for the third quarter decreased to $3.5 million in 2020 from $4.6 million for the same period in 2019 primarily due to timing of payments for capital expenditures. At the end of the quarter, $4.6 million had been incurred but was not yet invoiced or paid for.

Year to date analysis

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments decreased by 4% to $161.3 million in 2020 from $167.4 million in 2019. Working capital changes resulted in a $4.2 million outflow in 2020 compared to a $13.3 million outflow in 2019, primarily due to changes in accounts receivable and accounts payable which fluctuate depending on timing of receipts and payments. Lease obligation interest payments are marginally lower as the lease liability is paid down. Income tax payments decreased to $25.1 million in 2020 from $37.6 million in 2019. 2019 tax payments included a catch up payment for the prior tax year which was not required in 2020. Tax instalment payments are usually based on the previous year's profit, and a final payment for the prior year taxes payable is made in the first quarter of each year. Cash flow from operations increased to $125.2 million in 2020 from $109.6 million in 2019.

Year to date, cash flows used in financing activities increased to $71.6 million in 2020 from $46.6 million in 2019. This increase is primarily due to normal course issuer bid share purchases. For the nine months ended September 30, 2020, the Corporation purchased 2,468,535 shares under its NCIB for approximately $38.8 million of which $1.0 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 $39.5 million for share buybacks. For the nine months ended September 30, 2019, 538,212 shares were purchased for approximately $11.9 million and the Corporation paid $1.1 million for shares repurchased at the end of the previous year, resulting in a total cash outflow of $13.0 million for share buybacks.

Year to date, cash flows used in investing activities decreased to $13.1 million in 2020 from $19.5 million in 2019 primarily driven from a decrease in capital expenditures. Westshore expects that $4.6 million of accruals will be paid within the next 12 months.

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. 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. There is an outstanding letter of credit of $15.3 million issued under this facility. This is the only amount drawn on the facility at period end.

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 are estimated to be $5.1 million in 2020 (2019 - $5.8 million), which is comprised of $2.7 million (2019 - $3.5 million) for contributions to the pension plans and $2.4 million (2019 - $2.3 million) for payments for other post-retirement benefits. To date, Westshore has contributed $2.3 million (2019 - $2.7 million) and $1.8 million (2019 - $1.8 million) to the pension and other post-retirement benefit plans respectively. Westshore does not anticipate any issues satisfying its 2020 funding obligations out of current cash flows.

The statement of financial position at September 30, 2020 reflects $104.5 million of net obligations for post-retirement pension benefits and other post-retirement benefits compared to $80.9 million at December 31, 2019. The change in 2020 was primarily caused by a decrease in the discount rate. This obligation amount will decline in the future if long term interest rates increase, and will increase if such rates fall. Based on current benefit levels, every 0.25% decrease or increase in interest rates results in a $9.5 million increase or decrease respectively in the post-retirement benefits obligations.

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

(In thousands of Canadian dollars)		September 30, 2020
Less than 1 year	$	11,787
Between 1 and 5 years		47,065
More than 5 years		491,347
	$	550,199

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 September 30, 2020, Westshore has a commitment of $7.2 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.

Financial Instruments

Westshore receives some of its revenue in U.S. dollars and is therefore exposed to foreign currency exchange rate risk. Westshore enters into foreign currency contracts for a portion of its exposed revenue to mitigate that risk. The value of these financial instruments fluctuates with changes in the USD/CAD dollar exchange rate.

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

	Fair Value Hierarchy Level		September 30 2020		December 31 2019
Financial assets:					
Derivative instruments:					
Foreign exchange contracts	Level 2	$	-	$	50
Financial liabilities:					
Derivative instruments:					
Foreign exchange contracts	Level 2	$	75	$	-

As at September 30, 2020, Westshore has entered into option collars with notional amounts totaling US$10.5 million to exchange U.S. dollars for Canadian dollars if the strike price drops below $1.275 - $1.29 or above $1.338 - $1.361.

The following table summarizes the gains (losses) on foreign exchange contracts for the three and nine month periods ended September 30, 2020 and 2019:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Foreign exchange contracts	$ 491	$ (136)	$ (125)	$ 1,020

The fair value asset and liability are recorded in other assets and other liabilities, respectively. 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.

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 assessed the potential impacts of the COVID-19 pandemic on its operations, which are designated as an essential service. To date, Westshore has been able to continue its normal operations at the Terminal, and currently there is no expectation that these conditions will change and impact Westshore. Having only one operating facility has allowed Westshore a singular focus on adopting significant additional health, safety and cleaning measures.

Collective agreements with all three locals of ILWU expired on January 31, 2020. Negotiations with the first of the three locals, Local 502, are ongoing.

The pandemic has not caused any significant change in Westshore's estimated throughput volumes for 2020. Westshore relies on its customers' throughput, rail service to deliver that throughput and other essential service providers. Restrictions which are imposed on any of these by reason of the pandemic could have a negative impact on Westshore. Westshore also recognizes that broader impacts of the pandemic on the global economy could negatively impact customers and therefore, in turn could negatively affect Westshore.

The variance in revenues from 2019 will ultimately be impacted by numerous factors, including total volumes shipped through the Terminal, the distribution of throughput by customer and foreign exchange rates. Based on current information, 2020 throughput volumes are anticipated to be approximately 29.5 million tonnes, at rates similar to 2020 average rates.

On March 31, 2021 the 10-year agreement with Teck, which provides 19 million tonnes of volume annually through Westshore, will expire. On August 25, 2020 Teck and Westshore announced that a non-binding term sheet reflecting an agreement in principle had been signed on a proposed new shipping agreement for post March 31, 2021. Under the term of the proposed agreement, 5-7 million tonnes of coal annually will be shipped by Teck through Westshore at fixed loading charges. The 5-7 million tonne range will apply for the 9 months from April-December 2021 and for each 12-month period (January-December) in subsequent years until the contract volume is concluded. Teck will ship 32.25 million tonnes under the agreement.

As previously reported, Westshore is anticipating a material reduction in throughput volumes in 2021 and 2022 as compared to recent years.

Westshore is well positioned to handle a range of bulk commodities in addition to coal. We continue to attract the interest of producers of other products, and we will evaluate the feasibility of these opportunities as they arise.

Quarterly Distributions

On October 15, 2020, shareholders on record as of September 30, 2020 received $0.16 per share representing an aggregate amount of $10,236,978 (September 30, 2019 - $0.16 per share for an aggregate of $10,671,460).

The dividend and share repurchase program are subject to periodic review based on factors including operating performance, current and anticipated market conditions, other opportunities that may come before Westshore, and other potential capital upgrade projects.

Related Party Transactions

Westar Management Ltd. (the "Manager") provides management services to Westshore pursuant to a management agreement (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 2020 is $1,688,000 and this fee will escalate at 3% annually. The fee is paid in monthly installments and $1,266,000 (2019 - $1,229,000) was paid by Westshore for the nine month period ended September 30, 2020.

The Manager also provides administration services to the Corporation pursuant to an administration agreement. The Corporation pays an annual administration fee in monthly installments. The fees payable to the Manager will be $563,000 for 2020 and will increase by 3% per annum. The Corporation paid $422,000 (2019 - $410,000) to the Manager for the nine month period ended September 30, 2020.

Changes in Accounting Policies

The Corporation's financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Corporation's Annual Report for the year ended December 31, 2019. No new accounting policies were adopted in the third quarter or year to date.

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 obligation is measured at amortised 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 the lease obligation.

Goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired, by comparing the fair value of Westshore to its carrying value, including goodwill. If the fair value of Westshore is less than its carrying value, a goodwill impairment loss is recognized as the excess of the carrying value of the goodwill over the fair value of the goodwill. The determination of fair value requires management to make assumptions and estimates about future coal loading rates, customer shipments, operating costs, foreign exchange rates and discount rates. Changes in any of these assumptions, such as lower coal loading rates, a decline in customer shipments, an increase in operating costs or an increase in discount rates could result in an impairment of all or a portion of the goodwill carrying value in future periods.

Employee Future Benefits

Westshore has post-retirement benefit obligations under its pension plans and other post-retirement benefit plans, the costs of which are based on estimates. Actuarial calculations of benefit costs and obligations depend on Westshore's assumptions about future events. Major estimates and assumptions relate to expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs, as well as discount rates, withdrawal rates and mortality rates.

Deferred Income Taxes

Deferred income tax assets and liabilities have been recognized for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet. The deferred income tax balances can be affected by a change in the estimate of when temporary differences reverse, the likelihood of realization of deferred tax assets, and the classification of assets for tax purposes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in Westshore's internal control over financial reporting or disclosure controls and procedures during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to affect, the Corporation's financial and other reporting.

Additional Information

Additional information relating to the Corporation, including the Corporation's latest Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com and on Westshore's website at www.westshore.com.

On behalf of the Directors,

(Signed) "William W. Stinson"
William W. Stinson
Chairman, President and Chief Executive Officer
November 3, 2020

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

	Note	September 30, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		$ 172,434	$ 131,858
Accounts receivable		14,076	20,252
Inventories		16,567	16,122
Prepaid expenses		4,375	2,319
Income taxes recoverable		-	4,330
		207,452	174,881
Property, plant and equipment:	5		
At cost		658,240	645,987
Accumulated depreciation		(275,078)	(260,008)
		383,162	385,979
Right-of-use assets		275,571	280,040
Goodwill		365,541	365,541
Other assets	12	204	866
		$ 1,231,930	$ 1,207,307
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 44,746	$ 56,244
Income tax payable		4,323	-
Deferred revenue		10,530	7,126
Other liabilities	12	75	-
Lease obligation current portion		2,643	2,582
Dividends payable to shareholders		10,237	10,637
		72,554	76,589
Deferred revenue		21,207	22,940
Deferred income taxes	8	27,671	31,045
Employee future benefits	10	104,496	80,910
Lease obligation		283,989	285,987
		509,917	497,471
Shareholders' equity:			
Share capital		1,468,795	1,525,522
Deficit		(746,782)	(815,686)
		722,013	709,836
		$ 1,231,930	$ 1,207,307

Commitments and contingencies (note 13)

See accompanying notes to unaudited condensed consolidated financial statements.

Approved on behalf of the Board:

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

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue:					
Coal loading		$ 85,002	$ 102,931	$ 266,777	$ 286,815
Other		4,447	1,987	11,860	5,616
		89,449	104,918	278,637	292,431
Expenses:	4				
Operating		39,381	43,232	127,296	131,802
Administrative		3,698	3,606	12,091	11,640
		43,079	46,838	139,387	143,442
Other:					
Foreign exchange gain (loss)		365	294	(168)	1,012
Gain (loss) on disposal of property, plant and equipment		23	(54)	24	(152)
Net finance costs	6	(2,492)	(2,546)	(7,514)	(8,845)
Profit before income tax		44,266	55,774	131,592	141,004
Income tax expense	7	11,961	15,070	35,560	38,103
Profit for the period		32,305	40,704	96,032	102,901
Other comprehensive loss:					
Items that will not be recycled to net income:					
Defined benefit plan actuarial losses		(2,493)	(7,390)	(19,226)	(19,588)
Income tax recovery on other comprehensive loss		673	1,996	5,191	5,289
Other comprehensive loss for the period, net of income tax		(1,820)	(5,394)	(14,035)	(14,299)
Total comprehensive income for the period		$ 30,485	$ 35,310	$ 81,997	$ 88,602
Profit per share:					
Basic and diluted earnings per share	9	$ 0.50	$ 0.61	$ 1.48	$ 1.54

See accompanying notes to unaudited condensed consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Nine Month Period ended September 30, 2020 and 2019

	Share capital	Deficit	Total
Balance at January 1, 2019	1,545,057	(911,256)	633,801
Profit for the period	-	102,901	102,901
Other comprehensive loss:			
Defined benefit plan actuarial losses, net of tax	-	(14,299)	(14,299)
Total comprehensive income for the period	-	88,602	88,602
Distributions to shareholders of the Corporation:			
Dividends declared to shareholders	-	(32,014)	(32,014)
Adjustments due to share repurchases	(12,368)	446	(11,922)
Balance at September 30, 2019	$ 1,532,689	$ (854,222)	$ 678,467

	Share capital	Deficit	Total
Balance as at January 1, 2020	1,525,522	(815,686)	709,836
Profit for the period	-	96,032	96,032
Other comprehensive loss:			
Defined benefit plan actuarial losses, net of tax	-	(14,035)	(14,035)
Total comprehensive income for the period	-	81,997	81,997
Distributions to shareholders of the Corporation:			
Dividends declared to shareholders	-	(31,056)	(31,056)
Adjustments due to share repurchases	(56,727)	17,963	(38,764)
Balance at September 30, 2020	$ 1,468,795	$ (746,782)	$ 722,013

See accompanying notes to unaudited condensed consolidated financial statements.

WESTSHORE TERMINALS INVESTMENT CORPORATION

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

Nine Month Period ended September 30, 2020 and 2019

		2020		2019
Cash provided by (used in):				
Operations:				
Profit for the period	$	96,032	$	102,901
Adjustments for:				
Foreign exchange contracts		125		(1,020)
Depreciation		19,667		18,470
Employee future benefits liability		2,417		(9)
Net finance costs		7,514		8,845
Income tax expense		35,560		38,103
Loss (gain) on disposal of property, plant and equipment		(24)		152
		161,291		167,442
Changes in non-cash operating working capital and other:				
Accounts receivable		6,176		(8,880)
Inventories		(445)		(1,539)
Prepaid expenses		(2,056)		(1,770)
Accounts payable and accrued liabilities		(9,499)		(2,410)
Deferred revenue		1,671		1,281
		(4,153)		(13,318)
Lease obligation interest paid		(6,839)		(6,898)
Income taxes paid		(25,090)		(37,601)
		125,209		109,625
Financing:				
Interest received		1,268		426
Dividends paid to shareholders		(31,456)		(32,110)
Share purchases		(39,457)		(13,058)
Lease obligation		(1,937)		(1,878)
		(71,582)		(46,620)
Investments:				
Property, plant and equipment, net		(13,663)		(20,093)
Other assets		612		613
		(13,051)		(19,480)
Increase in cash and cash equivalents		40,576		43,525
Cash and cash equivalents, beginning of the period		131,858		50,048
Cash and cash equivalents, end of the period	$	172,434	$	93,573
Supplemental information:				
Non-cash transactions:				
Shares purchased but not settled at period end	$	(995)	$	-
Capital expenditures unpaid at period end		4,636		3,949

See accompanying notes to unaudited condensed consolidated financial statements.

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 unaudited condensed consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2020 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:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34, *Interim Financial Reporting* (IAS 34). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Corporation since the last annual consolidated financial statements as at and for the year ended December 31, 2019. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS.

The consolidated annual financial statements of the Corporation as at and for the year ended December 31, 2019 which were prepared under IFRS are available upon request from the Corporation's registered office, at www.westshore.com or on SEDAR at www.sedar.com.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 3, 2020.

(b) Basis of measurement:

These unaudited condensed consolidated interim 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, measured at fair value, less plan assets at fair value; and
- Lease obligations are measured at amortised cost using the effective interest rate method.

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

(c) Functional and presentation currency:

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's 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 unaudited condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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 Corporation's financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Corporation's Annual Report for the year ended December 31, 2019.

4. Expenses:

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Salaries, wages and benefits	$ 19,701	$ 23,193	$ 69,543	$ 73,009
Depreciation	6,585	6,422	19,667	18,470
Other	16,793	17,223	50,177	51,963
Expenses	$ 43,079	46,838	$ 139,387	$ 143,442

5. Plant and equipment:

For the nine month period ended September 30, 2020, $12,357,000 of construction-in-progress was added. $4,636,000 of construction-in-progress was yet to be paid for at period end which decreased by $1,306,000 compared to December 31, 2019.

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

6. Finance costs:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest income, net	$ (453)	$ (245)	$ (1,268)	$ (426)
Employee benefit interest expense, net	665	492	1,943	2,373
Capital lease interest	2,280	2,299	6,839	6,898
	$ 2,492	$ 2,546	$ 7,514	$ 8,845

7. Income tax expense:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Reconciliation of effective tax rate:				
Profit before income tax	$ 44,266	$ 55,774	$ 131,592	$ 141,004
Statutory rate	27.00%	27.00%	27.00%	27.00%
Expected income tax expense	11,952	15,059	35,530	38,071
Permanent differences	9	11	30	32
Actual income tax expense	$ 11,961	$ 15,070	$ 35,560	$ 38,103

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

8. Deferred tax assets and liabilities:

	September 30, 2020	December 31, 2019
Deferred tax assets:		
Non-pension defined benefits liability	$ 25,066	$ 21,619
Post-retirement benefits	3,148	227
Financing fees	12	15
Foreign exchange contracts	20	(13)
Capital lease	77,391	77,914
Total assets	105,637	99,762
Deferred tax liabilities:		
Property, plant and equipment	(58,904)	(55,196)
Right-of-use assets	(74,404)	(75,611)
Total liabilities	(133,308)	(130,807)
Net deferred income tax liabilities	$ (27,671)	$ (31,045)

9. Profit per share:

Basic and diluted earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Profit for the period	$ 32,305	$ 40,704	$ 96,032	$ 102,901
Weighted average number of Common shares outstanding	64,677,138	66,696,625	65,081,562	66,736,889
Basic and diluted earnings per share	$ 0.50	$ 0.61	$ 1.48	$ 1.54
Shares repurchased	947,417	-	2,468,535	538,212
Total cost of shares repurchased	$ 15,216	$ -	$ 38,764	$ 11,922

The Corporation has no dilutive securities.

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

10. Employee future benefits:

The Corporation makes contributions to two 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.

	September 30, 2020	December 31, 2019
Present value of unfunded obligations	$ 92,836	$ 80,070
Present value of funded obligations	156,835	146,954
Total present value of obligations	249,671	227,024
Fair value of plan assets	(145,175)	(146,114)
Recognized liability for defined benefit obligations	$ 104,496	$ 80,910

Profit and Loss:

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

Pension obligations expense recognized in profit and loss	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Service costs:				
Current service costs	$ 468	$ 426	$ 1,466	$ 1,306
Past service costs	-	-	1,354	1,003
Non-investment expenses	55	54	165	165
	523	480	2,985	2,474
Net interest costs				
Interest cost	1,106	1,281	3,332	3,819
Expected return on plan assets	(1,080)	(1,548)	(3,262)	(3,686)
	26	(267)	70	133
	$ 549	$ 213	$ 3,055	$ 2,607

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

Other post-retirement benefits expense recognized in profit and loss	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Current service costs	$ 1,022	$ 690	$ 3,069	$ 2,068
Past service costs	-	-	441	-
Interest costs	639	760	1,873	2,241
	$ 1,661	$ 1,450	$ 5,383	$ 4,309

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

11. 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. There is an outstanding letter of credit of $15.3 million drawn on this facility (see Note 13).

Under its credit facility, the Corporation is required to comply with certain financial covenants. At September 30, 2020, the Corporation was in compliance with these financial covenants.

12. 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.

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

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

	Fair Value Hierarchy Level	September 30 2020	December 31 2019
Financial assets:			
Derivative instruments:			
Foreign exchange contracts	Level 2	$ -	$ 50
Financial liabilities:			
Derivative instruments:			
Foreign exchange contracts	Level 2	$ 75	$ -

As at September 30, 2020, Westshore has entered into option collars with notional amounts totaling US$10.5 million to exchange U.S. dollars for Canadian dollars if the strike price drops below $1.275 - $1.29 or above $1.338 - $1.361.

The following table summarizes the gains (losses) on foreign exchange contracts for the three and nine month periods ended September 30, 2020 and 2019:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Foreign exchange contracts	$ 491	$ (136)	$ (125)	$ 1,020

The fair value asset and liability are recorded in other assets and other liabilities, respectively. 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.

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

13. Commitments and Contingencies:

The Corporation has provided a letter of credit of $15,269,000 (December 31, 2019: $15,269,000) related to pension funding.

The Corporation has commitments of $7,243,000 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.

Although the Corporation does not expect that COVID-19 will significantly impact the Company'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.

14. Related party transactions:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Administration agreement				
Westar Management Ltd.	$ 141	$ 137	$ 422	$ 410
Management agreement:				
Westar Management Ltd. - base fee	422	410	1,266	1,229
Insurance premiums:				
Affiliate of Westar Management Ltd.	317	254	866	738
Vehicle leases:				
Affiliate of Westar Management Ltd.	46	46	131	146
Director fees:				
Director fees	160	160	482	492

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