



Westshore Terminals Ltd.

Operational Review

For the twelve months ended December 31, 2002 tonnage shipped was 19.4 million tonnes, compared with 23.3 million tonnes for 2001. The reduction in tonnage was principally due to reduced tonnage shipped by Fording Inc. The reasons for such reduction were described by Fording Inc. in its public disclosure documents. In addition the contract for the Line Creek mine operated by Luscar Ltd. expired March 31, 2002, and was renewed for reduced tonnage. The balance of the coal from this mine was handled at Neptune Terminals, which is owned in part by the owners of the Line Creek mine.

Coal loading revenue decreased to \$109.6 million in 2002 compared with \$126.2 million in 2001. The decrease was primarily due to lower shipment volumes, offset by a higher average loading rate. The loading rate increase was due to escalation in rates and to lower volumes being shipped at incentive rates. Other income increased because of lower demurrage and train detention charges because of lower throughput.

Operating expenses decreased from \$61.9 million in 2001 to \$52.4 million in 2002 as a result of the lower shipment volumes. Approximately 1/3 of the reduction was in the participation rent paid to VPA. The previously applicable escalators to components of the rent under Westshore's lease with the VPA ceased to apply in 2002. Upon the renewal of the lease in 2002, the VPA was required to fix rental rates for the first three years of the renewal term to February 28, 2005, and chose to freeze the rates at those in force in the lease year ending February 28, 2002. The rest of the reduction in operating costs came from reduced wages and other costs.

As a result of the foregoing, Westshore's earnings before interest, taxes, depreciation and amortization ("EBITDA") for 2002 was \$53.4 million as compared to \$58.9 million in 2001.

Liquidity & Capital Resources

Westshore has in place with a Canadian chartered bank a \$10 million secured operating facility which, if required, can be utilized to meet working capital requirements. This facility was not used during the year and remained undrawn at December 31, 2002. The computation of interest under the Notes effectively leaves Westshore with 15% of EBITDA to cover cash requirements not

deducted in the computation of EBITDA, such as capital expenditures and special pension contributions. In 2003, Westshore will experience extraordinary capital expenditures by reason of the rebuild of the shiploaders at Berth 2. These are expected to be substantially covered by the proceeds of insurance, a portion of which Westshore has already received. To the extent that there is any time lag in receipt of insurance proceeds, Westshore expects to have sufficient cash on hand to cover its interim cash requirements.

Labour

Labour agreements with all three locals of the International Longshore and Warehouse Union ("ILWU") (the longshoremen, foreman and the clerical workers) expired on January 31, 2003. Negotiations are underway with Local 502 (the Longshoremen). It is anticipated that negotiations with all three locals will be more difficult than in prior years.

Outlook

With the completion of the long-term arrangements with the Coal Partnership, Westshore has secured an opportunity to maintain significant levels of coal throughput through the port for many years to come. Critical to Westshore's ongoing success will be the ability of the Coal Partnership to maintain and increase its export volumes while competing for sales with other world wide suppliers.

As noted earlier, the rates for the majority of the coal to be loaded by Westshore will after April 1, 2003 be determined by reference to the Canadian dollar price received by the Coal Partnership for such coal. This variable rate will be influenced by the settlement of the Japanese reference price for metallurgical coal in U.S. dollars and by the Canadian/U.S. dollar exchange rate.

Prior to the January 2, 2003 windstorm incident, previously reported, 2003 tonnage levels were expected to be somewhat higher than 2002 levels. As a result of the windstorm damage to Berth 2, tonnage throughput is anticipated to be approximately the same or slightly lower than 2002 levels.