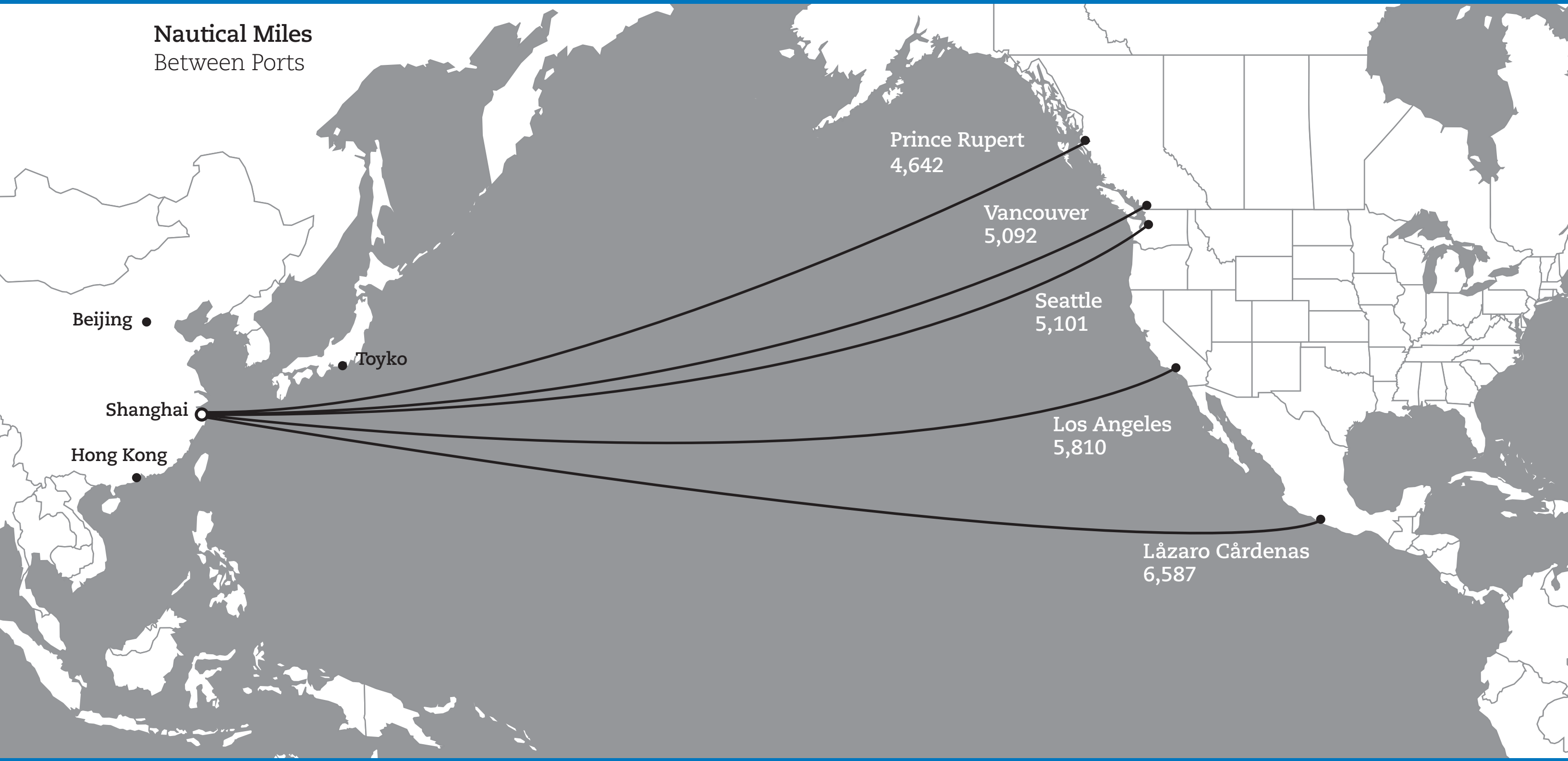
RIDLEY TERMINALS INC. **2010** ANNUAL REPORT

BUILDING ON A STRONG FOUNDATION



RIDLEY TERMINALS INC. (RTI) is uniquely positioned to play an important role in supporting exports from North America to meet a growing global demand. RTI offers a high level of quality, reliable and uninterrupted services. Located on Ridley Island in Prince Rupert, British Columbia, RTI can offer customers reduced sailing time to Asia; by more than one day compared to Vancouver, and nearly three days vis-à-vis Long Beach, California. Established in 1984 with over $400 million invested to date in the facility, RTI is a Canadian Crown corporation that can handle throughput of up to 12 million tonnes. Plans are in motion to expand the terminal capacity to its original design of 24 Million. The additional capacity will be necessary to meet the increase in export volumes from our current contracted customers and to facilitate additional throughput from planned mine developments in both British Columbia and Alberta.

RTI historically serviced coal mines and refineries in northern British Columbia, Alberta and Saskatchewan. In 2010 the Terminal received product from the Southeast region of British Columbia and in early 2011 received coal from the United States. RTI's customers produce high quality coals used in steelmaking, as well as coal used for power generation, while the refineries produce petroleum coke as a byproduct. Coal accounts for 83% of RTI's handling volume, and Asia is by far the leading destination for these products shipped through RTI. The remaining volumes are split between Petroleum Coke shipments at 14% and Wood Pellets constituting 3%.

RTI's vision is to provide value to the Crown while expanding on its role as a leading trade "gateway" between North American and world markets. Its mission is to provide customers with premium, on-time services, while maintaining a safe and rewarding work environment.

In 2009 RTI and Prince Rupert Port Authority came to terms on a 30 year land lease arrangement, with the option for a further 20 year renewal term. The 50 year term provides a working footprint for RTI and provides both parties with the peace of mind and security of a long term working relationship.

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MESSAGE FROM THE CHAIRMAN

March 14, 2010.

HONOURABLE CHUCK STRAHL
MINISTER OF TRANSPORTATION AND INFRASTRUCTURE,
PLACE DE VILLE, TOWER C, 29TH FLOOR,
OTTAWA, ON, K1A 0N5

HONOURABLE ROBERT MERRIFIELD
29TH FLOOR,
330 SPARKS STREET,
OTTAWA, ON, K1A 0N5

Ministers,

The 2010 Annual Report for Ridley Terminals Inc. (RTI) is enclosed. It is the Board's responsibility to present this report and we trust you will find it in order.

RTI continues as a place in transition. The social licence granted to RTI by our surrounding communities is a valued privilege that lets us undertake change as well as grow our terminal's capacity to serve customers.

Implementing your mandate to operate in a commercial manner remains our focus. Four guiding principles inform how we give effect to that mandate, including:

1 Obtain market prices for services.

2 Require guaranteed minimum volumes in contracts.

3 Prefer long term contracts of five years or more.

4 Diversify products handled, the geographic source of products, and the number of contracts.

Our success implementing the mandate can be measured by noting that in 2005 RTI's negative $300,000 Net Income was derived from two contracts, without minimum guaranties, serving two geographies. By contrast at Yearend 2010 RTI had 11 contracts, and handled 5 products from 8 geographies.

RTI is an important component of the Asia-Pacific Gateway Initiative. RTI will benefit from successful implementation of the Perimeter Security and Economic Competitiveness Declaration. RTI will ensure both are supported fully. National origin is not now, and will not be, a criterion for accessing RTI's services.

Operating in a commercial manner has resulted in the creation of 52 new permanent jobs at RTI, and has enabled many more jobs to be created between our terminal and where the products we handle originate. Most of those new jobs are located in northern rural Canada.

Workers at RTI, even as we transition through retirements and growth, remain highly skilled, dedicated, productive, and committed to the success of our business. Beginning February 1, 2011 all new hires at RTI participate in a defined contribution pension plan that can better provide the flexibility needed for a modern workforce.

George Dorsey, RTI President and COO, leads a contract management team that has performed well beyond expectations set by the Board. For that level of performance, the Board is grateful, and say thank you.

This past year the Board developed an updated modern Governance Manual for RTI. Your Directors serve diligently, contribute much, and carry heavy responsibility. Remuneration in relation to their contribution demonstrates an imbalance in how Directors are valued. Over the next four years Directors will have oversight responsibility for a plus $180 Million capital plan to grow RTI's capacity. To ensure RTI can rely on the skill set it will continue to need, the imbalance between Director responsibilities and remuneration must be addressed.

I thank each Director for their public service and valuable contribution during this past very challenging and rewarding year at RTI.

During 2010 Members of the Board and management assisted a group of government agencies in carrying out a review of RTI assets, as is undertaken periodically.

As a Board it is our pleasure to report $31,764,000 Net Operating Income and $16,900,000 cash on hand at Ridley Terminals Inc. for the Fiscal Year ended December 31, 2010.

Yours sincerely,

Bud Smith, QC
Interim Chair,
Ridley Terminals Inc.

“It is with great honour that Ridley Terminals Inc. (RTI) reports its most successful year to date, with 2010 throughput exceeding the previous historical high by 20%.

Management is very pleased to have reached this milestone in the commercial life of the facility and the Terminal is poised to continue to build upon this success into the future.

All of our progress is consistent with the mandate provided by the Government of Canada. “

PRESIDENT'S LETTER

March 25, 2010

Our current viability will enhance our ability to provide and assist others in supplying high paying and rewarding jobs for the next fifty years. As stewards of this enterprise, our initial objective to preserve and expand the RTI workforce by roughly 50% will have been exceeded by mid 2011. This growth has happened during some difficult years, but in relative harmony with our workforce. This clearly meets our responsibility to the Prince Rupert community.

As a commercial enterprise we have seen a dramatic improvement on the returns provided to our shareholder, as well as establishing long term value into the enterprise, all of which has far exceeded our shareholder's initial expectations.

Under a long term lease with the Prince Rupert Port Authority and an improved partnership with the Canadian National Railway we are now able to improve on and expand the physical assets allowing for increased handling volumes and thus a significant improvement in revenue under our agreements.

As a critical link in the supply chain, RTI will now be able to turn to the work of making expanded capacity available for the growth of the mining industry in North America. These steps have come at a time when mining revenues are much improved and when we believe an improvement in RTI's revenue stream will also provide our customers with a clear cost benefit value increase themselves.

I wish to extend my many thanks to the employees of RTI who have worked quite admirably and more importantly in a safe manner during a period of unprecedented volumes. I also wish to pass along my gratitude to the Board of RTI whose continued keen stewardship has made the Terminal into a success today and for the foreseeable future.

George W. Dorsey
President

Key Highlights of 2010

Operations

Over the past few years Management, with strategic oversight provided by the Board of RTI, has been working to improve upon operational efficiency and reliability, while enhancing the commercial viability of the Terminal. These efforts have cumulated in a strong year for RTI, which is evident in the vastly improved financial position of the Terminal. The current period has become a building block for which RTI to establish itself as a true leader in the movement of bulk commodities. Over the next few years, RTI has plans to fully utilize its footprint and expand upon existing product movement, while diversifying into new areas of bulk loading.

The results contained in this report were achieved through a team effort, Management is grateful to the employees of RTI for their efforts, especially during periods of increased handling volumes and for also maintaining a high level of safety awareness.

Figure 1: RTI's financial performance in 2010

			Variance	Variance
(in thousands CDN $)	2010	2009	($)	(%)
Total Revenue	61,561	25,047	36,514	146%
Total Operating Expenses	29,797	21,044	8,753	42%
Net Operating Income(1)	31,764	4,003	27,761	694%

(1) Excludes amortization and asset write-down items

As per figure 1, RTI reported a net operating income of $31.8 million for the current period, an improvement of $27.8 million from 2009. This vast improvement in operating results is a combination of an enhanced business model, driven by increased throughput volumes and a dedicated workforce. Shipments through the Terminal reached an all time high of nearly 8.4 million metric tonnes, an increase of 20% over the previous historical high of 6.9 million metric tonnes. The turnaround in volumes commenced in quarter three of 2009 and continued through 2010 and culminated in 1.1 million metric tonnes shipped through the Terminal in the month of December alone.

Revenues

Terminal Revenue

Terminal Revenue reached $54.4 million for 2010 or an increase of 137% from 2009. The improvement is based on an additional 4.2 million tonnes shipped compared to 2009 or roughly a 100% increase and from improved contract services rates as well. In 2010 the average terminal revenue per tonne (per tonnes shipped) increased by 19% to $6.50 from $5.47 in 2009. Negotiated contract terminal rates vary by customer, depending on a number of factors including the contract length and minimum guaranteed annual volumes. During 2010 RTI added Teck Coal as a terminal customer and renewed terms with Peace River Coal and Husky Oil. Also during 2010 the Terminal's largest throughput customer Western Coal Corporation commenced operations from its Willow Creek mine facility.

Figure 2: Revenues by source in 2010

(in thousands CDN $)	2010	2009	Variance ($)	Variance (%)
Terminal Revenue	54,388	22,904	31,484	137%
Other Revenue	7,117	2,136	4,981	233%
Investment Income	56	7	49	700%
Total Revenue	61,561	25,047	36,514	146%

Revenues from coal products accounted for 83% of total terminal revenues, with petroleum coke at 14% and wood pellets accounting for 3%. A total of 130 vessels loaded product at RTI during 2010, compared to 80 vessels in 2009 for an increase of 63%. Of note, the Terminal saw a significant increase in the number of cape size vessels that loaded at RTI during 2010.

Other Revenue

Other revenue of $7.1 million accounted for 12% of total revenues for 2010, an increase of nearly $5 million over 2009. Other revenue is comprised of lines and berthage, despatch, storage fees, disposal of recycled material and fees for miscellaneous services.

Lines and berthage fees are assessed to each vessel that docks at the berth. Lines revenues are generated based on a flat fee per vessel, while berthage revenues depend on the size of the vessel and the length of time it occupies the berth. RTI earns despatch when the time taken to load a vessel is less than the calculated laytime allowed. If the time taken to load exceeds the laytime allowed,
the company pays demurrage (expense item). Storage fees are based on individual terms within each customer contract and are in relation to requested additional storage capacity. Recycled material is revenue earned from the disposal of material collected from under yard belts and through stockyard management activities.

Operating Expenses

Operating expenses were $29.8 million in 2010, an increase of $8.8 million or 42% compared to the previous reporting period. This increase may seem significant, however as reported earlier handing volumes doubled over the past 12 months. Certain terminal expenditures are variable in their nature and thus rise and fall with the volume of product handled. However, RTI does have a relatively high fixed cost structure, broken out between minimum manning levels in order to operate as a 24/7 facility and through extensive equipment and structural maintenance programs.

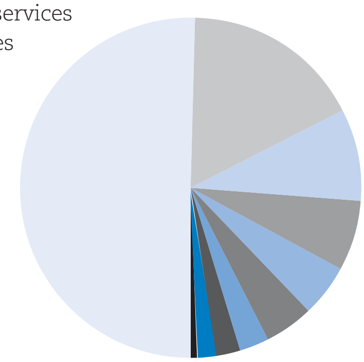
RTI's major expense components are noted in the table and chart below.

Figure 3: Operating expenses in 2010 vs 2009

(in thousands CDN $)	2010	2009	Variance ($)	Variance (%)
Salaries	15,021	11,210	3,811	34%
Lease rental	5,087	2,061	3,026	147%
Contract and professional services	2,609	2,072	537	26%
Equipment, operations and maintenance	1,991	1,938	53	3%
Site utilities	1.474	975	499	51%
Management services	1,386	1,035	351	34%
Municipal taxes	830	812	18	2%
Office	684	440	244	55%
Insurance	535	501	34	7%
Demurrage	180	–	180	100%
Total Operating Expenses(2)	29,797	21,044	8,753	42%

(2) Excludes amortization and asset write-down items

Figure 4: Breakdown of operating expenses - 2010



Salaries, Wages and Benefits

Salaries, wages and benefits combine to represent the Company's largest expense item, accounting for 50% of total operating expenses in 2010. Compared to the previous reporting period, RTI experienced an increase of $3.8 million or 34% during the period. Manning levels were increased by 10% during the year and additional overtime was required to handle the increased volumes, for which measures have been taken to reduce overtime by increasing manning levels in 2011. Of further note, there was a temporary period in mid 2009 when the

Terminal decreased operating hours, as a result of low throughput volumes in order to reduce Terminal expenditures. During the current period the Terminal operated at full operational basis (24/7).

RTI has a comprehensive medical benefits program which includes life insurance, long-term disability ("LTD") insurance, extended health benefits and dental benefits. The life and LTD insurance benefits are determined by a percentage of each employee's salary or wage rate. They are also impacted by the average age of the workforce, and to a lesser extent by the company's claim experience. RTI's average age per employee remained flat between 2009 and 2010, even though additional employees have been brought on board the Terminal experienced very few employees exiting the workforce during 2010 thus balancing off the new entrants.

The company's collective agreement provides for increases to wages based on increases in the consumer price index ("CPI") for Vancouver.

– Statutory Benefits

Statutory benefits consist of the Company's contribution to the Canada Pension Plan ("CPP") and Employment Insurance ("EI") premiums, together with the premiums paid to the Workers Compensation Board of BC ("WCB"). CPP and EI premiums are based on rates set by Canada Revenue Agency. WCB rates are set on an industry-wide basis and for the last few years these rates have been decreasing, with an actual increase in industry rates in 2010. However, the company's safety record impacts the overall WCB rate, thus RTI's excellent safety record has resulted in only a minor upward adjustment in 2010, which was 0.86% compared to 0.83% in 2009.

– Productivity Bonus

As an incentive, RTI pays a productivity bonus to each employee with the total pool equal to one-half of the net despatch revenue earned by the Company. This bonus has proved to be successful in encouraging all employees to focus on loading ships promptly and efficiently. In 2010 total bonuses amounted to $687,455 an increase of 105% compared to 2009. The increase is attributed to a rise in demurrage/despatch rates and due to the additional vessels handled during the period.

– Other

There are a number of other costs included in the salary, wages and benefits category. These include costs for recruitment and relocation of new employees; training, management's performance incentive program and tool and fitness allowances.

Site Rent

Rent is paid on a per tonne basis to the Prince Rupert Port Authority ("PRPA"). The original 25 year lease was extended for a further 30 years ending March 31, 2039, with an option for an additional 20 years. The renewed arrangement included an increase in the fee structure, the introduction of a stepped fee structure, plus the establishment of a minimum annual rent guarantee. Total rent increased from $2.1 million in 2009 to $5.1 million in 2010, an increase of 147%.

Contract and Professional Services

Services provided by third parties increased by 26% between 2009 and 2010, from $2.1 million to $2.6 million. The main components are consulting, contracting and legal services. RTI engaged the services of engineering firms to assess the Terminal's assets, with the goal of improving upon the Terminal's ability to process products and build in additional capacity. Third party services were required on product diversification projects, as well as legal fees incurred in connection with the negotiation of new and renewed customer service agreements.

Equipment Operations and Maintenance

Equipment operations and maintenance costs remained relatively flat in 2010 with an increase of 3% to $2.0 million. One area that saw an increase in maintenance outlays were site vehicles and the Terminal's heavy duty mobile equipment. Both operating vehicles and heavy duty equipment have been identified as priorities for replacement, which commenced with the purchase of a new D9T dozer in 2010. A second dozer was received in early 2011 and a third dozer is on order.

Site Utilities

The Company's largest utilities expense is electricity, followed by natural gas and to a much lesser extent disposal services. Site utilities for 2010 reached $1.5 million compared to $1.0 million in 2009. The increase is directly tied to the additional handling volumes experienced in 2010.

Management Services

RTI engages the services of Edgewood Holdings LLC to provide terminal management services. The current period saw an increase in management services expenditures when compared to 2009. The increase in expenditures is based on additional travel and hospitality costs related to business development and as well as performance incentives related to the vast improvement in the Terminal's operating results.

Office

Office expenditures are the summation of the many components, from office supplies, association fees, as well as non-capital IT related acquisitions. Overall expenditures increased by 55% in 2010 from 2009. The main outlays for 2010 were related to several long overdue initiatives from office equipment purchases, building repairs and office computer and software replacements.

Insurance

RTI maintains comprehensive property and risk insurance coverage. The company relies on the advice of its insurance broker, Aon Reed Stenhouse for the design of this coverage and selection of insurance companies to provide the required policies. Insurance costs increased to $0.54 million in 2010 from $0.50 million in 2009.

Demurrage

As explained in the other revenue section, RTI earns revenue (despatch) when the time taken to load a ship is less than the laytime allowed. Vice versa is true if the time taken to load exceeds the laytime allowed. The terminal then pays demurrage. In 2010 the Terminal experienced $180,000 in demurrage charges, compared to zero in 2009. Only a few vessels ran into negative laytime or demurrage, however the so called penalty is at twice the rate of despatch. The possibility of demurrage becomes more likely as handling volumes increase. RTI processed 130 vessels in 2010 compared to 80 in 2009.

Customers

With record terminal volume comes an increase in customer expectations and RTI believes it has met those expectations, which has been achieved through a strong partnership between the Terminal and its customers. With improved lines of communication, sharing of data and streamlining of reporting. RTI's customers support the initiatives of RTI through improved commercial terms and minimum volume guarantees, enabling RTI to reinvest in the Terminal for mutual long term benefit.

Customer updates for 2010 include:

- Expanded production at Western Coal Corp's current British Columbia mining operations, as well as the addition of their Willow Creek mine mid-year.
- A renewal of our long term relationships with both Husky Oil and Peace River Coal.
- Increased volumes received from Coal Valley Resources.
- A newly formed relationship with Teck Coal.
- The execution of a service agreement with Mitsubishi Corp, who will be marketing petroleum coke form Northern Alberta in 2011.

People

RTI and ILWU local 523 commenced 2010 under the second year of seven-year collective agreement. Both parties have a well established working environment where non-managers collaborate with managers to continuously improve terminal performance and operations efficiencies. Terminal employees handled record volumes in 2010, while maintaining a high standard for safety awareness. The employees of RTI are commended for their ability to maintain and operate a Terminal in its 27th year of operations, with very little interruptions in service levels.

Community

Ridley Terminals and the Coast Tsimshian First Nations have both strived over the past few years to establish a strong working relationship. This relationship has benefited both parties in a common goal to strengthen the overall health of the greater community of Prince Rupert. Initiatives from supporting education, sports and the arts have been established over the last few years and will continue. There is a working Joint Committee who convene regularly in order to monitor the progress of our mutually agreed upon issues and opportunities, as well as to facilitate the exchange of ideas between the parties.

In 2010 RTI sponsored a community day at the local Prince Rupert Civic Center and the recreational facility in the community of Port Simpson, as well as providing transportation for the community of Metlakatla to join in on the events at the Prince Rupert Civic Center. The day presented RTI with the ability to say thank you to the greater community for their support of the Terminal over the years.

Resources

In mid 2010 RTI acquired a new D9T Dozer, which replaced one of two aging dozers, a significant upgrade in both its ability to move coal and reliability. The purchase of this dozer is the start of a multi-million dollar plan to replace all of RTI's heavy duty mobile equipment over the next couple of years, while also adding additional pieces in order to process the increased handling volumes. The first of two new Shiploader Cabs arrived, improving visibility and working conditions. Significant efforts are being put forth to improve the utilization of RTI's footprint. Resources were dedicated to the further research of product diversification at RTI, with the intent that in the near future the Terminal would expand its product handling ability. Also being considered during this period is the expansion of the Terminal's wood pellet footprint, as interest continues to grow in the region for the production and export of wood pellets.

Environmental

In order to ensure environmental compliance, RTI is certified to the ISO 14001 standard. RTI underwent its external ISO audit in July of 2008, and passed the audit and received recertification to the 14001 standard for another three-year period. During 2010 RTI conducted a successful 24 months Surveillance Audit.

Health and Safety

RTI's Health and Safety system is certified to the OHSAS 18001 standard. In July 2008, RTI was recertified for another three-year period. In 2010 RTI's safety performance was excellent with only four recordable incidents and no lost time accidents. During 2010 RTI conducted a successful 24 months Surveillance Audit.

Focus on 2011

Operations

RTI begins 2011 unlike any previous year in the Terminal's history, with increased expectation on throughput capacity from an expanded customer base. Commercial terms have improved allowing the Terminal the ability to finance facility upgrades and improve asset utilization. Terminal throughput for the period is estimated to reach the current design capacity of 12 million tonnes. RTI's customers have plans to increase production at existing facilities and plans are also in the works for additional facilities to come on line in the near future. In Canada alone roughly 12 million tonnes of new coal production is estimated to be created in the next two to three years. Demand for products moving through the Terminal is strong and indications of continued growth are evident by increased interest from parties to enter into new service agreements.

Our goals in 2011 include the following:

- continue to operate safely, improve upon RTI's already excellent safety record.
- build value for the Crown through renewal and upgrades to the physical facility.
- provide excellent service for our customers by placing a greater emphasis on operational efficiencies.
- expand capacity to meet today's and tomorrow's volume demands, through a combination of self financed and borrowing initiatives, supported by improved long term customer contracts with minimum volume guarantees.
- Maintain a sustainable and profitable business model that secures jobs and contributes to economic growth of Canada's communities that depend on RTI, which includes current and prospective customers.

Customers

With the addition of customers in 2010 and early 2011 the Terminal has extended its source of product origin into Southeast British Columbia and the United States. The combination of new customers and increased production from our valued traditional source customers has provided RTI with a stable foundation on which to further expand capacity and increase throughput efficiency. The Terminal's largest customer Western Coal Corp. dramatically increased production in 2010 and has several initiatives underway to further increase production. Peace River Coal has completed upgrades to its Trend Mine facility and also has plans to open a second mine in the near term. Coal Valley Resources saw its shipments through RTI rise significantly in

2010 and will continue to be a valued customer to RTI. The addition of Teck Coal in 2010, Canada's largest coal producer with six established mines in Alberta and Southeast BC has plans to reopen the Quintette mine near Tumbler Ridge as early as 2012. Both Suncor Energy and Husky Oil move their petroleum coke through RTI and Mitsubishi Corp. will commence shipments of petroleum coke from the Oil Sands region of Canada in 2011. Houston Pellets Limited Partnership has plans to increase its production of wood pellets considerably, servicing a growing demand for its product in both Asia and Europe.

Commencing in 2011 the Terminal will be receiving coal from customers based in the United States, their throughput volume combined with our Canadian producers have helped the Terminal realize a goal that has been 28 years in the making, to double the Terminal's capacity from 12 million tonnes per annum to 24 million tonnes.

Over the past few years an emphasis has been placed on revenue enhancement in order to generate sufficient funds to provide value to the people of Canada as well as managing the needs of the facility allowing it to effectively service its customers. This also includes the requirement for an expanded facility to meet both the short and long term expectations of North American bulk exporters.

Although requests for improved commercial terms rarely meet with counterparty support, we believe our newly negotiated agreements have resulted in a positive outcome for all parties.

People

Ridley has continued to expand its workforce, which has grown from 77 employees in 2007 to nearly 110 employees by the end of Q1 2011. RTI expects to further expand its manning requirements as volumes continue to rise and as the Terminal itself expands.

The Company will improve and expand its training programs in 2011, thus providing greater knowledge and awareness in many aspects of the Terminal's internal and external environment.

Resources

The Company plans to upgrade the facility and its equipment in order to grow the business and improve asset utilization. Plans are in motion for RTI to have the ability to service 24 million metric tonnes annually as early as 2013. This requires a significant capital investment over the period which will be achieved through a combination of self financed initiatives and external borrowing capabilities. This last point will require approval from the Government of Canada, for which to date has been received with initial acceptance based on RTI's improved financial position and the existence of minimum volume guarantees included in most of RTI's Terminal Service Agreements.

RTI is targeting the end of 2011 for the completion of an upgraded Dumper facility with the ability to affectively handle both steel and aluminum rail cars. During the period, plans will get underway to approve the Terminal's stockyard capacity and the ability to simultaneously
unload rail cars and load vessels at high feed rates. Two dozers will be purchased bringing the total to three new dozers on site, replacing the two outdated and high maintenance ones. The commencement of an extensive multi-year structural repair and specialized painting program will begin. On a smaller scale, the Company plans to replace outdated and high maintenance service vehicles and upgrade the critical spare parts inventory.

Profitability

In addition to increases in service rates, management has been able to negotiate minimum volume commitments in each contract executed in the last two and a half years. This provides a more stable and predictable revenue stream, while at the same time partially mitigating the risk of short term fluctuations in market demand.

Revenue is based on 7 coal companies, 3 petroleum coke customers and 1 wood pellet customer. Note that minimum volume commitments from RTI customers in 2011 will account for a decent percentage of the Terminal's overall capacity, thus establishing a platform to further build out the site. RTI strives to achieve improvements in the many areas where enhanced profitability can be found, while putting safety at the forefront. These steps include but are not limited to:

- improved operating efficiencies
- improved service performance
- customer value creation
- expanded product handling capacity

Ridley will continue to focus on all opportunities to maximize efficient and effective asset utilization, promote growth in terminal volumes and product diversification, with the intention of strengthening the Ridley team and its environment.

International Financial Reporting Standards

Financial reporting under IFRS is effective January 1st, 2011, with one year of comparative data (2010) required. RTI initiated a four step transition plan; establish scope, discussion and analysis, policy selection and finally implementation. KPMG was contracted in 2010 to assist with the process.

Key points:

IAS 16 (PPE)

Measurement

An entity shall choose either the cost model in or the revaluation model as its accounting policy and shall apply that policy to an entire class of PPE.

Management has elected to apply the cost model. PPE shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses. No impact upon transition.

IAS 17 (Leases)

Site Lease

In the case of RTI's Terminal Facility Agreement with PRPA, PRPA and RTI have entered into an agreement whereby RTI has the right to use PRPA's asset (land) for an agreed upon price and period of time

This satisfies the definition of an operating lease under IFRS

IAS 18 (Revenue)

Terminal Revenue

RTI's practice is to recognize terminal revenue at two points, 50% upon product arrival and 50% upon product discharge.

This practice is supported by executed contracts and is consistent with IFRS regulations.

IAS 19 (Employee Benefits)

Pensions

Actuarial Gains and Losses. RTI recognizes actuarial gains and losses of the defined benefit plan through net income using the corridor method over the average remaining service period of active employees,

RTI elects to recognize actuarial gains and losses immediately (IAS19.93), and then any difference from previous GAAP is recognized in retained earnings at the date of transition.

As can be seen in the financial statement section of the annual report, RTI as it stands today lacks financial complexity and thus is removed from some of the major areas of concern under the IFRS conversion process.

Note: IFRS accounting standards continue to evolve and future revisions could result in the identification of new financial statement impacts not previously noted. The above assessments are based on management's views.

Community

RTI continues to enjoy a strong relationship with the surrounding communities and will endeavor to strengthen the relationships by becoming even more active in the involvement of local initiatives and charities.

The Company recognizes that a greater need for corporate support is required in the region, be it through direct employment, the involvement in capital projects or the support of charitable and education based initiatives. Through asset and site utilization initiatives the Company will be drawing upon resources in the community, be it through our established agreements with the Coast Tsimshian First Nation community and or local business entities. In addition to local business opportunities RTI will continue to provide resources for education and local recreational activities.

With the signing of a 30 year extension of RTI's land lease with the Prince Rupert Port Authority in 2009 comes an understanding that RTI has an obligation to be sound stewards of the surrounding community and its environment.

Health and Safety

Maintaining high standards on health and safety throughout the facilities has always been a core value at RTI. It is the common goal for all Terminal employees to recognize, practice and reinforce safety measures on a daily basis. The Terminal will be renewing their ISO certifications in 2011 through an extensive external audit process

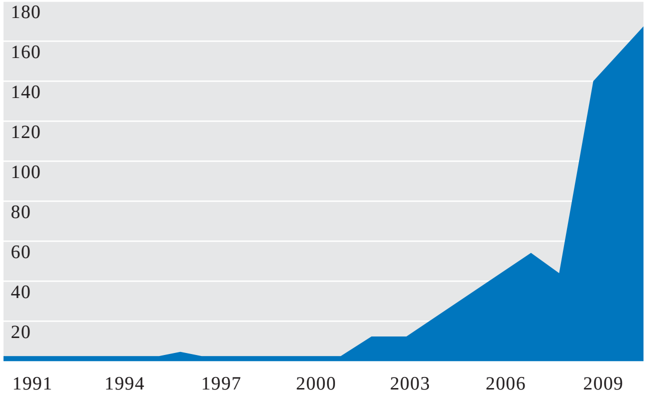
Market Conditions

When RTI was constructed some 28 years ago, the destination for its shipments was solely Japan; today the distribution includes China, South Korea, South America and Europe. Japan is still the number one destination of products leaving RTI, followed by China and South Korea. These three countries represented 90% of shipments in 2010 compared to 82% in 2009. Shipments to China rose sharply in 2010 representing 25% of all shipments, an increase of almost 100% from 2009. Several factors bode well for RTI and its customers when considering exports to Asia in both the short and long term, continued economic growth in the region as well as importers are looking to supplement their reliance on coal from Australia due to significant supply interruptions as a result of severe flooding in two of the last three years. Supporting RTI's expectations for continued growth in Asia is Standard & Poor's projection that 2011 will see moderate to strong economic growth across most of the region, with even higher growth expectations forecasted for 2012.

Coal

Coal is by far the main commodity handled by the Terminal and accounts for 83% of all RTI volume for 2010. The main subcomponents for RTI are metallurgical coal used in the production of steel and thermal coal for use in energy production. Japan's steel industry has seen rapid growth over the last year, with expectations that 2010 would represent a record annual export period.[I] China has become a significant importer of both met and thermal coal; this recent rise is detailed in figure 5. Of note in January 2011 China imported a record one month high of 5.6 metric tonnes of met coal, the previous one month high was December 2010.[II] "With respect to met coal, 2011 pricing trends are starting the year off on the right foot with exceedingly wet conditions significantly hampering shipments from key Australian markets. Benchmark Asian settlement prices are likely to average $260-$270/mt in 2011."[III] That is an increase of 30% to 35% from where prices were to start 2010 and almost a 100% increase from 2009. By some estimates the increased demand for met coal could rise as much as 66% between 2010 and 2020.

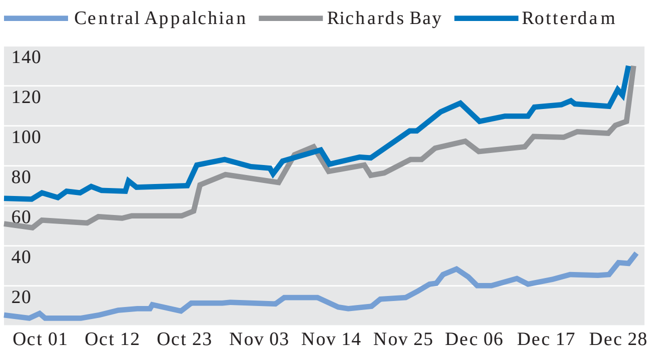
Figure 5: China coal import volumes (millions of tonnes)



(Source: EIA; 2010 data is actual through November annualized)

Thermal coal represents 40% of the world's total energy output and with continued economic growth in areas like Asia demand should remain strong. "With Asia's aggressive infrastructure build out, thermal coal is expected to provide the necessary incremental base load power, as is the case in developed markets."[IV] Thermal coal prices have increased significantly in recent weeks as seen in figure 6 and expectations are for a stable price basis to continue.

Figure 6: Weekly Thermal Coal prices since October 2010 ($ per ton)



(Source: Capital IQ)

Petroleum Coke

Petroleum coke is used as a feedstock in coke ovens for the steel industry. As noted earlier, steel production has increased and thus led to greater demand for this commodity. However, if production expands and the market value for petroleum coke remains greater than $90 per tonne FOB vessel at RTI and the logistics to port are improved, RTI volumes will persist and continue to increase. RTI handled petroleum coke from three facilities in 2010 representing 14% of the Terminal's shipments. In late 2010 RTI contracted a fourth producer, with shipments to commence in 2011.

Wood Pellets

RTI has handled wood pellets since mid 2007 and has seen handling volumes increase slightly each year. Wood pellets are a clean, CO2-neutral and convenient fuel, produced from sawdust and wood shavings compressed under high pressure without glue or other additives. Wood pellet production is driven by the availability of inexpensive fiber in BC (largely from insect damage) and by demand for energy fuels in countries committed to "green" initiatives.

Several wood pellet facilities are planned for sites within RTI's logistic region and with the potential expansion of the Terminal's wood pellet storage capacity, RTI makes an ideal destination for their products.

Liquid Bulk Commodity

RTI owns a nearly completed liquid bulk handling facility which includes two 20,000 metric tonne storage tanks. RTI continues to search for a compatible partner for the movement of liquid bulks through the Terminal. Once established this will further diversify the Company's product handling portfolio and will also increase the overall utilization of the facility.

Governance

The Articles of Incorporation state that RTI's activities must be in compliance with the requirements of Part X of the Financial Administration Act (R.S.C. c. F-11). The by-laws provide for a Board of Directors consisting of from 3 to 7 members; and a minimum of 4 meetings of the Board of Directors each year. Stuart Douglas Boland (Bud) Smith was appointed as Chairman of Ridley Terminals Inc. Board of Directors in June 2009. The Board has maintained the appointment of an Audit Committee and has also created several new vehicles to strengthen overall governance and to ensure more effective oversight and accountability. These include an Executive, Compensation and Pension committees of the Board.

RTI entered into a management services agreement with Edgewood Holdings, whose Managing Director is George W. Dorsey. Under the terms of the agreement, Edgewood will support the board in its management of the company, providing services that include the customary functions of President, Chief Operations Officer, Business Development Officer, Risk Management Officer, and Chief Financial Officer. The choice of Edgewood team members and allocation of roles to provide these services is at the discretion of Edgewood.

George Dorsey is a seasoned professional who has served in varied senior management roles. Mr. Dorsey has been handed the task of increasing the value of Canada's investment in the Terminal, to support the local community, uphold a high standard of ethical behavior and provide a quality service.

The management team is responsible for the day to day activities at RTI, while working under the stewardship of the Board of RTI.

Emphasis has continued to be placed on avoidance of all unsafe practices, support of various community events and charities has been expanded, and the Ridley community has shown increased support for the Crown's financial self-sufficiency.

Glossary of Terms

Demurrage: The charterer of a ship is bound not to detain it, beyond the stipulated or usual time, to load or deliver the cargo, or to sail. The extra time beyond the calculated lay days (being the days allowed to load and unload the cargo) are called the days of demurrage. The term is likewise applied to the payment for such delay.

Despatch: Is revenue earned when a vessel is loaded and or discharged more rapidly than the allowed laytime. Despatch is the opposite of demurrage and generally amounts to half of the demurrage rate.

ISO: The International Organization for Standardization: A global federation of over a hundred national standards bodies with central secretariat in Geneva, Switzerland. An ISO standard is an international standard published by the ISO. For example: ISO 9000 is a widely accepted standard which specifies requirements for a Quality Management System. The ISO 14000 environmental management standards exist to ensure products and services have the lowest possible environmental impact.

Laytime: The time allowed for cargo loading and/or discharging operations; laytime may be expressed as a certain number of days or number of tonnes of cargo loaded/unloaded per day

Metallurgical Coal: Bituminous coal from which the volatile constituents are driven off by baking in an oven at temperatures as high as 2,000 degrees Fahrenheit so that the fixed carbon and residual ash are fused together forming coke, which along with pulverized coal is consumed in making steel.

OHSAS 18001: An occupational health and safety management systems specification.

Petroleum coke: Petroleum coke is a carbonaceous solid derived from oil refinery cracking processes. Crude oil must be refined to produce gasoline and other products. A residue is left over from this process that can be further refined by "coking" it at high temperatures and under great pressure. The resulting product is pet coke, a hard substance that is similar to thermal coal.

Wood Pellets: A pelletized product comprised of compressed wood fibre, without additives or binders.

Statement of Management Responsibility

The accompanying financial statements of Ridley Terminals Inc., and all information in the annual report pertaining to the Company, are the responsibility of management, and have been approved by the Board of Directors.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise, because they include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis. Financial information used in the annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting and administrative controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through an Audit Committee consisting of three non-management members. The Audit Committee meets regularly with management and with the external and internal auditors to review the scope and result of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board of Directors for approval.

These financial statements have been independently audited in accordance with Canadian generally accepted auditing standards by the Company's external auditor, the Auditor General of Canada, and her report is included with these financial statements.

B. Smith
Chairman

G. W. Dorsey
President

March 25, 2011

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ridley Terminals Inc. as at 31 December 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, except for the failure to file a Corporate Plan as explained in the paragraph below, the transactions of Ridley Terminals Inc. that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act,* the *Canada Marine Act* and regulations and the articles and by-laws of Ridley Terminals Inc.

Ridley Terminals Inc. is required to annually submit its Corporate Plan to the Minister of Transport Canada no later than eight weeks prior to the commencement of each financial year in accordance with Section 122 of the *Financial Administration Act.* Ridley Terminals Inc. has not filed its Corporate Plan for 2011-2015 as of the date of this auditor's report.

Terrance DeJong

Terrance DeJong, CA
Assistant Auditor General
for the Auditor General of Canada

25 March, 2011
Vancouver, Canada

Balance Sheet

As of December 31 (in thousands of Canadian dollars)

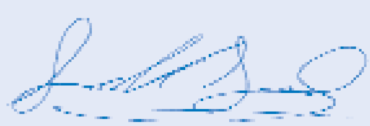
	2010	2009
	$	$
ASSETS		
Current assets		
Cash	16,900	4,450
Accounts receivable (Note 4)	13,274	3,557
Inventory	3,195	3,112
Recycled site materials (Note 5)	3,578	–
Prepaid expenses (Note 6)	1,724	132
	38,671	11,251
Non-current assets		
Property, plant and equipment (Note 7)	11,982	10,189
Accrued pension benefit asset (Note 8)	9,986	6,127
	21,968	16,316
	60,639	27,567
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,270	2,665
	4,270	2,665
Non-current liabilities		
Asset retirement obligation (Note 9)	2,573	2,314
Deferred government contributions towards capital assets (Note 10)	166	191
	2,739	2,505
	7,009	5,170
SHAREHOLDER'S EQUITY		
Capital stock (Note 11)	136,042	136,042
Contributed surplus (Note 11)	64,000	64,000
Accumulated deficit	(146,412)	(177,645)
	53,630	22,397
	60,639	27,567

Commitments and Contingencies (Notes 12, 13)

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Chair



Director

Statement of Operations, Comprehensive Income and Accumulated Deficit

Year ended December 31 (in thousands of Canadian dollars)

	2010	2009
	$	$
Revenues		
Terminal revenue	54,388	22,904
Other revenue (Note 5)	7,117	2,136
Investment income	56	7
	61,561	25,047
Expenses		
Salaries, wages and benefits	15,021	11,210
Lease rental (Note 12)	5,087	2,061
Contract and professional services	2,609	2,072
Equipment operations and maintenance	1,991	1,938
Site utilities	1,474	975
Management services (Note 14)	1,386	1,035
Municipal taxes	830	812
Office services and supplies	684	440
Insurance	535	501
Amortization and restoration costs	417	393
Demurrage	180	–
Asset write-down (Note 7)	139	3,116
	30,353	24,553
Net income before government contribution	31,208	494
Government contribution (Note 10)	25	2,821
Net income and comprehensive income	31,233	3,315
Accumulated deficit, beginning of year	(177,645)	(180,960)
Accumulated deficit, end of year	(146,412)	(177,645)

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Year ended December 31 (in thousands of Canadian dollars)

	2010	2009
	$	$
OPERATING ACTIVITIES		
Cash receipts from customers	48,162	23,352
Interest received	44	12
Cash paid to employees	(13,480)	(11,743)
Pension contributions (Note 8)	(4,844)	(2,691)
Cash paid to suppliers	(10,337)	(7,911)
Cash paid for lease rental	(4,715)	(1,451)
Cash flows from (used in) operating activities	14,830	(432)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,420)	(204)
Proceeds from disposition of property, plant and equipment	40	–
Cash flows used in investing activities	(2,380)	(204)
Net increase (decrease) in cash during the year	12,450	(636)
Cash, beginning of the year	4,450	5,086
Cash, end of the year	16,900	4,450

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

December 31, 2010 (amounts in tables are in thousands of Canadian dollars)

1 - Governing Statutes and Nature Of Operations

The Company, incorporated under the Canada Business Corporations Act on December 18, 1981, operates a bulk commodity facility on Ridley Island in Prince Rupert, British Columbia. On June 11, 1998, the Canada Marine Act received Royal Assent. This Act came into force on November 1, 2000, at which time the Canada Ports Corporation Act was repealed and the Canada Ports Corporation was dissolved. Under the Canada Marine Act, Ridley Terminals Inc. became a parent Crown corporation named in Part I of Schedule III of the Financial Administration Act. The Company is a federal crown corporation exempt from income tax.

2 – Future Accounting Changes

Most Canadian publicly accountable reporting entities will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for fiscal years beginning on or after January 1, 2011, with the additional requirement of one year of comparative data.

The Company initiated a four step transition plan, establishing scope, a comprehensive review, impact analysis and implementation. A third party consulting firm was contracted in 2010 to assist the Company with the process. Ridley Terminals Inc. (RTI) is currently progressing with the fourth and final step (implementation), by establishing a transitional balance sheet with an effective date of January 1st, 2010. RTI's timeline to complete the implementation phase is early 2011.

3 - Significant Accounting Policies

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The future of the Company is dependent primarily on the health of the export coal segment, as well as to the extent for which capital intensive equipment is properly maintained and employed within defined operating limits.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. The more significant balances subject to management's estimates include the asset retirement obligation, the useful life of property, plant and equipment and accrued employee pension benefits. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates.

Financial instruments

The Company has made the following classifications of its financial instruments:

Cash is designated as held for trading since it could be reliably measured at fair value, and is measured at fair value.

Accounts receivable, classified as loans and receivables, and accounts payable and accrued liabilities, classified as other financial liabilities, are initially measured at fair value, and subsequently measured at amortized cost using the effective interest method. Due to the short term nature of accounts receivable, accounts payable and accrued liabilities, their carrying values approximate their fair values.

Revenue recognition

Terminal

Terminal revenue is determined by multiplying the contracted throughput rate by the number of tonnes handled, fifty percent of the throughput revenue is recognized at the time the product is received at the terminal facility. The remaining fifty percent is recognized after the product is loaded on a vessel.

Other

Revenue related to storage fees, berthage and quick despatch are recorded as other revenue. Despatch is an incentive payment for the loading of cargo faster than the stipulated timeframe.

Also included in other revenue are gains related to the estimated net recoverable value of recycled site materials identified during site cleanup and stockyard management activities. The material consists of a mixture of different types of coal, gravel, wood pellets and other detritus. Recognition of gains from recycled site materials for financial statements purposes only occurs when both quantity and valuation can be reliably measured.

Inventory valuation

Warehouse inventory consists of supplies, consumables and repair parts. Inventory is valued at the lower of average cost and net realizable value.

Impairment of long-lived assets

The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment loss, if any, is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. Fair value is calculated using an expected present value technique.

Amortization

The terminal facility includes all costs incurred during construction (including the associated costs of engineering, administration, interest, insurance and site rental) and capital additions thereafter. The terminal facility also includes the fair value of the liability for an asset retirement obligation. This amount is added to the carrying amount of the asset in the period incurred and will be amortized over the asset's useful life. In 2002, the recorded value of the terminal facility was written down to the minimum residual recoverable value upon its disposition either intact as a going concern or on a salvage basis. The terminal facility assets are amortized on a straight-line basis to 2024.

The wood pellet terminal commenced operations in 2007 and is being amortized on a straight-line basis over its useful life. The sulphur terminal was written down to its salvage value in 2009 as described in note 7. Construction of the terminal was never completed and therefore amortization was never recorded against the asset.

Other assets are amortized over their useful lives according to the straight-line method and at the following annual rates:

Machinery and equipment	10% to 20%
Office furniture and equipment	20% to 33%

Asset retirement obligation

The fair value of the liability for an asset retirement obligation is recognized in the period incurred, for example, upon acquisition of an asset. This value is subsequently adjusted for any changes resulting from age, changes in regulatory requirements and any changes to the timing or the amount of the original estimate of undiscounted cash flows. The associated retirement costs are capitalized as part of the carrying amount of the capital asset and amortized over the life of the asset. The liability is increased over time through periodic charges to income and it is reduced by actual costs of decommissioning and reclamation. Expenditures relating to ongoing environmental programs are charged against income as incurred.

Employee pension plans

The Company accrues its obligation under employee pension plans net of plan assets. The Company has adopted the following policies:

- The cost of the pension benefits earned by employees, including the indexing of pensions, is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- When the restructuring of a pension plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement;
- The excess of the net actuarial gain (loss) over 10% of the greater of the pension obligation and the fair value of plan assets is amortized over the average remaining service period of active employees; and
- The transitional asset that arose when this policy was first applied is amortized over the average remaining service period of active employees.

Government Assistance

As the Government of Canada is the shareholder of the Company, government assistance received for the repayment of debt is recorded as contributed surplus. Government assistance for the Company's cash operating shortfalls is recorded as income. Government assistance for the Company's capital assets is deferred and amortized to income on the same basis as the related capital asset.

4 - Accounts Receivable

Accounts Receivable as at December 31:

	2010	2009
(in thousands $)	$	$
Accounts receivable		
Trade	13,044	3,444
Other	230	113
	13,274	3,557

Other accounts receivable consists of net recoverable GST, advances to employees and miscellaneous receivables.

5 – Recycled Site Materials

Recycled site materials are identified during site cleanup and stockyard management activities. The material consists of a mixture of different types of coal, gravel, wood pellets and other detritus. As at December 31, 2010, the Company has recycled site materials recorded on its balance sheet at a net recoverable value of $3,578,000, based on a subsequently realized net sales price of $5,443,000, less related selling costs of $1,865,000 for freight and commissions. This net recoverable value of $3,578,000 is also included in other revenue on the Statement of Operations, Comprehensive Income and Accumulated Deficit to reflect the gain recognized during 2010 from the increase in the net recoverable value of these recycled site materials. The sale of these recycled site materials was completed in March 2011.

6 – Prepaid Expenses

Prepaid Expenses as at December 31:

	2010	2009
(in thousands $)	$	$
Prepaid Expenses		
Freight (Note 5)	1,594	-
Insurance	127	129
Other	3	3
	1,724	132

Prepaid freight is related to the disposal of recycled material obtained during site clean-up and stockyard management activities.

7 - Property, Plant And Equipment

Property, Plant and Equipment Balance as at December 31:

	Cost	Accumulated amortization & Impairment	Net 2010	Net 2009
(in thousands $)	$	$	$	$
Terminal facility	239,941	231,434	8,507	8,546
Sulphur terminal	3,835	3,255	580	580
Wood pellet terminal	1,259	54	1,205	688
Machinery and equipment	3,448	1,985	1,463	327
Office furniture and equipment	1,899	1,672	227	48
	250,382	238,400	11,982	10,189

The Sulphur Terminal and the Wood Pellet facility both incurred an asset retirement obligation liability (Note 9) in the current period and thus a corresponding asset was created. The Sulphur Terminal assets were written-down to their salvage value of $580,000 in 2009, thus the corresponding asset created by the previously stated asset retirement obligation was written off as to not increase the Sulphur asset value beyond its stated salvage value. The Sulphur assets were acquired by the Company through a government capital contribution and recorded as both an asset and as a deferred government contribution towards capital assets in 2004 (Note 10). The Terminal itself was never put into production and was never amortized. Without an active working agreement and related cash flows the assets were deemed impaired. The effect of the write-down was a charge to income of $3,116,000 in the previous period.

8 - Accrued Pension Benefit Asset

The Company provides pension benefits to its employees through defined benefit pension plans. These plans provide a pension based on the highest 60 consecutive months' pensionable earnings of the employee, and pensions are indexed at 3% per annum.

Pension benefit as at December 31:

	2010	2009
(in thousands $)	$	$
Company current service cost	834	731
Interest cost	1,686	1,512
Actual (increase) decrease on plan assets	(3,222)	(3,611)
Actuarial loss (gain) on accrued benefit obligation	4,892	3,332
Costs arising in the period	4,190	1,964
Differences between costs arising in the period and cost recognized in the period in respect of:		
Loss (return) on plan assets	1,638	2,139
Actuarial (gain) loss	(4,657)	(3,104)
Transitional asset amortization	(184)	(184)
Net periodic pension cost recognized	987	815

Information about the Company's defined benefit pension plans as at the measurement date of December 31, 2010 in aggregate is as follows:

Defined Benefit Pensions Plan:

	2010	2009
(in thousands $)	$	$
Accrued benefit obligation at the beginning of year	24,853	20,021
Company current service cost	834	731
Interest cost	1,686	1,512
Employee contributions	278	268
Benefits paid	(774)	(1,011)
Actuarial loss (gain)	4,892	3,332
Accrued benefit obligation at end of year	31,769	24,853
Fair value of plan assets at beginning of year	25,690	20,131
Actual return of plan assets	3,222	3,611
Company contributions	4,844	2,691
Employee contributions	278	268
Benefits paid	(774)	(1,011)
Fair value of plan assets at end of year	33,260	25,690

	2010	2009
	$	$
Funded status - surplus (deficit) at end of year	1,489	835
Unamortized transitional asset	(168)	(350)
Unamortized net actuarial loss	8,665	5,642
Accrued pension benefit asset	9,986	6,127

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Accrued Benefit Obligations Assumptions:

	2010	2009
	%	%
Discount rate at beginning of year, used to determine the net periodic pension cost	6.75	7.50
Discount rate at end of year, used to determine year-end disclosures	5.75	6.75
Expected long-term rate of return on plan assets	6.00	7.00
Rate of compensation increase	3.00	3.00
Indexation of pension	3.00	3.00

The plan assets are invested in a balanced pooled fund managed by two independent investment managers.

The average remaining service periods of the active employees covered by RTI's pension plans as of 2010 are as follows:

- Registered Plan: 13 years
- Supplementary: 18 years

The most recent actuarial valuation for funding purposes was as at December 31, 2009. This valuation identified a going concern deficit of $3,157,000. The required payments to fund this deficit are $6,000 per year for the next 10 years, $10,000 per year for the next 11 years and $222,000 per year for the next 14 years. The valuation also identified a solvency deficiency of $5,966,000, and a solvency ratio of 80.6%. Because the solvency ratio is less than 100%, the Company is required to make special payments of $337,000 per year over 5 years starting in 2007, $559,000 per year over 5 years starting in 2008, plus $599,000 per year over 6 years starting in 2009, to eliminate the shortfall. The next actuarial valuation for funding purposes will be as at December 31, 2010, but is not yet complete. The market value of the plan assets have increased from a market value of $25,690,000 in 2009 to $33,260,000 in 2010. It is expected that the funded position of the plan has improved and the solvency deficit will decrease and result in a reduction of special payments to eliminate the shortfall.

At December 31, 2010, the future required payments to fund the going concern deficit and special payments to fund the solvency deficiency were, in aggregate:

Payments for Going Concern Deficit and for Solvency Deficiency:

(in thousands $)	$
2011	1,733
2012	1,396
2013	837
2014	837
2015	238
Subsequent years	1,851
Total minimum funding payments	6,892

9 – Asset Retirement Obligation

Assets Retirement Obligation as at December 31:

	2010	2009
(in thousands $)	$	$
Balance, beginning of year	2,314	2,247
Additions	183	-
Accretion expense	76	67
Balance, end of year	2,573	2,314

Under the terms of the Company's land lease with the Prince Rupert Port Authority (Note 12), the Company is required to return the land to the condition the land was in at the commencement of the lease. This obligation includes alleviating any environmental damage to the land and the cost of removing certain of the Company's terminal assets from the land. These costs are discounted at the credit-adjusted risk-free rate of 3%.

The ultimate amount of future site restoration costs to be incurred is uncertain. The amount recorded as the asset retirement obligation (ARO) is based on a number of assumptions. These assumptions include the undiscounted estimated cost of alleviating environmental damage and removal of certain Terminal assets, both of which are expected to be incurred at the end of the current land lease agreement. The Terminal obligation estimate as at December 31, 2010 is $2,573,000. The estimated obligation at the end of the lease period (2039) is estimated at $6,063,000 (2009 - $3,600,000).

During the current period, management accounted for an obligation to decommission the yet to be commissioned Sulphur facility and the Wood Pellet facility at the end of the current lease of March 31, 2039. Therefore, the ARO estimate for the Sulphur facility as at December 31, 2010 is $144,000. The ARO obligation estimate for the Wood Pellet facility as at December 31, 2010 is $45,000. Corresponding assets were created and in the case of the Wood Pellet facility will be amortized on a straight-line basis over the remaining useful life of the asset. The Sulphur asset was deemed impaired in 2009 and written down to its salvage value (see Note 7), thus the increase in asset value related to the Sulphur facility ARO was written off in the current period, as not to increase the asset value beyond its deemed salvage value.

10– Deferred Government Contributions Towards Capital Assets

Deferred Government Contribution as at December 31:

	2010	2009
(in thousands $)	$	$
Balance, beginning of year	191	3,012
Write-down of associated capital assets (Note 7)	-	(2,789)
Loss on Disposal	(2)	(8)
Amortization of government contributions towards capital assets	(23)	(24)
Net Change	(25)	(2,821)
Balance, end of year	166	191

The Sulphur terminal assets were written-down in 2009 to their salvage value as explained in note 7. The assets were initially acquired through a government contribution agreement and recorded as a deferred government contribution on the balance sheet. With the write-down, the government funds employed to acquire the assets were also written down ($2,789,000).

11 – Capital Stock and Contributions

Authorized

2,000,000 common shares without par value

1,960,000 class "A", 18% non-cumulative redeemable preference shares, with a stated value of $25.55 per share

217,052 class "B", 20% non-cumulative redeemable preference shares, with a stated value of $230.00 per share

Capital stock as at December 31:

	2010	2009
(in thousands $)	$	$
Issued and fully paid		
2,000 common shares	90,001	90,001
900,997 class 'A' shares	23,021	23,021
100,089 class 'B' shares	23,020	23,020
	136,042	136,042

In February 2004, the Company entered into a contribution agreement with the Government of Canada. This agreement provided the funds necessary to pay out the Company's debt obligation of $64 million. These funds have been recorded as contributed surplus in the shareholder's equity section of the balance sheet.

12 – Commitments

The Company leases land from the Prince Rupert Port Authority (PRPA) for its terminal facility. The original twenty-five year lease expired on March 31st, 2009. During 2009, the Company and PRPA came to terms on a thirty year lease renewal, effective April 1st, 2009.

Lease payments are based on an initial fixed aggregate rate per tonne of throughput, which is subject to escalation provisions based on increases in the Consumer Price Index. The Company agrees to pay a minimum annual rent fee as follows:

(in thousands $)	$
2011	5,200
2012	5,200
2013	5,200
2014	7,800
2015	7,800
Subsequent years	181,350
Total	212,550

In the event, that the minimum annual rent exceeds the aggregate rate per tonne of throughput for the period, the excess may be carried forward for not more than four annual lease periods.

13 – Contingencies

The Company is subject to claims and lawsuits arising in the ordinary course of operations. While the outcome of these matters is subject to future resolution, management's evaluation and analysis of such matters indicates that, individually and in the aggregate, the probable ultimate resolution of such matters will not have a material financial impact on the Company's financial position, results of operations or liquidity.

14 – Related Party Transactions

Government of Canada

Ridley Terminals Inc. is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Company enters into transactions with these entities in the normal course of business under the same terms and conditions that apply to unrelated parties. The contribution agreements with the Government of Canada described in note 10 and note 11, as well as the lease agreement with the Prince Rupert Port Authority described in note 12 are related party transactions.

Management Consultant Services Agreement

Edgewood Holdings LLC provides Ridley Terminals Inc. with management consultant services. As management consultants Edgewood has been tasked with providing managerial oversight with the goals of increasing efficiencies and profitability, attracting new customers, and improving agreements with existing customers. The current Agreement is effective July 1st 2010 for an initial term of five (5) years and (6) months and shall be renewable thereafter at intervals of one year by written mutual agreement of both Parties not later than 120 days prior to the end of the initial term or any renewal term. Edgewood Holdings LLC annual 'base compensation' for the initial term is $800,000 CAD, plus reimbursement for travel expenses reasonably and sufficiently related to the performance of its services. An annual 'performance bonus' is available to Edgewood Holdings LLC, determined solely by the Board of Directors of Ridley Terminals Inc. within the range of 20% to 30% of the annual base compensation. A 'further bonus' based on increased throughput and profitability is available, determined by the Board acting reasonably. The agreement may be cancelled by either party with not less than sixty (60) days written notice.

For the first six (6) months of the year ended June 30, 2010, Edgewood Holdings LLC earned a management consulting team service fee of $456,000 CAD, under the previous management consulting services agreement. For the last six (6) months of the year ended December 31, 2010, Edgewood Holdings LLC earned a service fee of $400,000 CAD, under the current management consulting services agreement. Total service fees amounted to $856,000 (2009 - $996,000), performance and further bonus amounted to $405,000 CAD (2009 - $0), with related group reimbursements of $125,000 CAD (2009 - $39,000), for the year ended December 31, 2010.

Legal Fees

Ridley Terminals Inc. engaged the legal services of Lang Michener LLP during the fiscal year of 2010. A partner of Lang Michener LLP is the Corporate Secretary for Ridley Terminals Inc. Related legal expenditures including corporate secretary services totaled $453,000 for 2010 (2009 - $489,000).

Also, Traxys LLC, a related party to Edgewood Holdings LLC by virtue of a common directorship, was involved in the subsequent period sale of recycled site material as disclosed in note 5 (agent fee of $218,000 CAD).

15 – Economic Dependence

The Company is dependent upon 4 customers for 87% of its 2010 throughput revenue (2009 – 85%). With the exception of 1 of these customers the Company has multi-year service agreements in place. It is the intent of the Company to negotiate a long-term service agreement with this customer, for which its service agreement expires on March 31st, 2012. In addition to the aforementioned 4 customers the Company entered into a multi-year agreement with Teck Coal Limited, mid-year 2010.

16 – Financial Instruments

Financial risk management and exposure

The Company is exposed to various risks associated with its financial instruments, which include credit risk, liquidity risk and market risk.

Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. Credit risk arises primarily from accounts receivable. The risk on cash is minimized as these assets are held with a Canadian Chartered Bank.

The carrying amount of accounts receivable of $13,274,000 represents the maximum credit risk exposure as at December 31, 2010 (2009 - $3,557,000).

The Company's exposure to credit risk is influenced by the profitability of coal mining companies, which is heavily impacted by the price of the coal. RTI does not have any collateral or security over receivables. RTI monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2010, there were no trade accounts receivable past due which were considered uncollectible and no reserve in respect of doubtful accounts was set up.

Liquidity Risk

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

The financial liabilities of the Company, which includes accounts payable and accrued liabilities, have a contractual maturity of less than 1 year.

Market Risk

The Company is exposed indirectly to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of its business operations. The Company monitors its exposure to market fluctuations and is exploring options to handle other commodities to manage these risks. The market risk resulting from foreign exchange and interest rates is not a significant risk to the Company.

17 – Subsequent Events

In early 2011 Ridley Terminals Inc. signed an amended long-term terminal services agreement with Western Coal Corp. and entered into a multi-year terminal service agreement with Arch Coal Sales Company, Inc. The Arch Coal agreement is for coal exports which originate from the Powder River Basin region of the United States.

In early 2011 Ridley Terminals Inc. notified the Prince Rupert Port Authority under its current site lease arrangement (Note 12) of its intent to exercise expansion rights contained in the agreement. Ridley Terminals is looking to increase its footprint in order to handle the growing demand for its services.

Ridley Terminals Inc. was involved in legal action with Suncor Energy Inc. over the handling of frozen product at the Terminal, in early 2011. On January 13th an injunction was granted to enable Suncor Energy Inc. to develop a solution to avoid the delivery of frozen product to the Terminal. This injunction expired on February 8th. A further application by Suncor Energy Inc. was made seeking an order to compel RTI to store a volume in excess of the amount provided by the contract. That application was dismissed.

18 – Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate fair value based on the short-term maturity of these instruments.

19 – Capital Management

The Company's capital is its equity, which comprises capital stock, contributed surplus and accumulated deficit.

The Company is subject to financial management and accountability provisions of the Financial Administration Act which imposes restrictions in relation to borrowings and acquisition of investments. During the year ended December 31, 2010, the Company has complied with these restrictions.

The Company manages its equity as a by-product of managing revenues, expenses, assets, and liabilities as required.

There have been no changes to the way the entity manages its capital since the prior year.

20 – Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Directory

Directors

Elmer Derrick
Hereditary Chief of the Gitxsan Nation
Terrace, BC

Ross Goldsworthy
Businessman
Calgary, AB

David Kirsop *
Professional Engineer
Delta, BC

Dave Parker *
Businessman
Terrace, BC

Scott Shepherd *
Businessman
Vancouver, BC

Bud Smith
Businessman
Kamloops, BC

* Member of the Audit Committee

Officers

Bud Smith
Chairman

George W. Dorsey
President

Corporate Secretary

Robert Standerwick, Q.C.
Partner, McMillan LLP
Vancouver, BC

Management

Dennis E. Blake
Senior Manager

Ron Coolin
Electrical Coordinator

Cordell Dixon
Controller

Roy Friday
Safety/Security/
Environment Coordinator

Thomas P. Harvey
Project Planning Manager

Leslee Hicks
Finance & Acctg Administrator

Frank Johansen
Electrical Technical Coordinator

Mike Kernachan
Mechanical Coordinator

Peter J. Petersen
Operations Coordinator

Brenda Sparkes
Human Resources Administrator

Legal Counsel

McMillan LLP
Vancouver, BC

External Auditors

The Office of the
Auditor General of Canada
Vancouver, BC

Internal Auditors

KPMG LLP
Vancouver, BC

For further information please contact:

Cordell Dixon
Controller
Telephone 250 624 9511 ex123
Facsimile 250 624 2389
E-mail cdixon@rti.ca
Web www.rti.ca

Or write to:

Ridley Terminals Inc.
Ridley Island Coal Terminal
P.O. Bag 8000
Prince Rupert, BC V8J 4H3

Forward Looking Statements

Certain statements in this annual report are forward-looking statements and are not historical facts. Inherent in these forward-looking statements are risks and uncertainties beyond the control or the ability of the Company to predict. Future results may vary materially from any results stated or inferred by forward-looking statements contained herein.

[I] Source: International Bulk Journal
[II] to [IV] Source: Platts Coal Trader International