RIDLEY TERMINALS INC. **2009** ANNUAL REPORT

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today

Ridley Terminals Inc. (RTI) is uniquely positioned to play an important role in supporting exports from North America. 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. Today's plans allow for expansion to the terminal capacity to its original design of 24 Million.

RTI primarily serves coal mines and refineries in northern British Columbia and Alberta. The mines produce high quality coals used in steelmaking and power generation while the refineries produce petroleum coke as a byproduct. Coal accounts for 81% 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 Petcoke shipments at 15% and Wood Pellets constituting 4%.

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. Today RTI is a 24/7 operation and employs 93 people.

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 18, 2010

Honourable John Baird
Minister of Transportation and Infrastructure,
Place de Ville, Tower C, 29th Floor,
Ottawa, ON, K1A 0N5

Honourable Robert Merrifield
Room 304, Justice Building
House of Commons
Ottawa, ON, K1A 0A6

Ministers,

The 2009 Annual Report for Ridley Terminals Inc. (RTI) is enclosed, which is the Board's responsibility to present. We trust you will find it to be in order.

RTI is a place in transition. Communities surrounding the terminal have privileged us with a social licence to operate that impresses upon us a duty to be good stewards of all our assets and active contributors to the area in which we operate.

Under our Protocol Agreement with the Coast Tsimshian, RTI is taking steps to generate greater First Nation participation in Canada's economy through involvement in RTI's core business activities.

We have embarked upon four primary steps along the path to diversify what we do at Ridley. Capturing greater value from services now provided. Expanding our source of current products, adding new export products, while examining the potential to import bulk products through the terminal.

RTI has a need to spend $65MM over the next 5 years to keep our operations open and efficient. In 2010 RTI will spend more than $10MM on this capital maintenance program, using monies earned from our operations.

Currently all the products shipped and looking at the foreseeable future, the largest portion of products shipped from RTI will be energy related and carbon based.

RTI and Prince Rupert Gateway are important links in a highly integrated supply chain for energy produced in Canada that is used around the world. Energy used both in steel making coke furnaces and electricity generating thermal plants.

During the second part of 2009 and early 2010 RTI has successfully negotiated commercial agreements with its tug assist provider, its landlord, and customers with whom it did not have term specific contracts.

Early 2009 saw record low throughput at RTI, in part as a consequence of external economic forces. By year end 2009 those volumes recovered and 2010 shows RTI currently on track for a record throughput year.

Throughout its existence the RTI workforce has provided consistent efficient service through flexibility and teamwork, and as a consequence RTI has an outstanding reputation with customers that is the responsibility of its leadership to maintain, buttress and grow.

The management team at RTI, led by George Dorsey, has met and exceeded expectations set by the Board. On behalf of the Board of Directors we simply say thank you.

Since mid 2009 I have served as Chair, Coordinating Committee for representatives of Transport Canada, Ridley Terminals Inc. and the Prince Rupert Port Authority, to collaboratively explore potential changes to RTI's ownership and governance. Our Committee's analysis has been completed.

At RTI we have a relatively small Board of Directors who give much public service for very little remuneration. Members of the Board have been diligent fulfilling oversight responsibilities and providing overall policy direction for a successful enterprise. I thank each Director for their valuable contribution.

As a Board it is our pleasure to report $3,315,000 Net Operating Income and $4,450,000 cash on hand at Ridley Terminals Inc. for the Fiscal Year ended December 31, 2009.

Yours sincerely,

Bud Smith, QC
Interim Chair,
Ridley Terminals Inc.

President's Letter

March 18, 2010

The year 2009 has been a very difficult year for the world economy. Canadians and the RTI family were not immune from that storm.

I have been honoured to work with the RTI team and the RTI board of directors in 2009 facing what has clearly been a crisis period. The near total collapse of world steel markets precipitated a drop in coal demand that was unprecedented in my 32 years of coal industry experience.

The RTI team responded well. Our union showed customary strength in supporting the overall good of the community. Management appreciates all of these efforts.

As early as March of 2009, management identified the risk of an RTI financial meltdown if coal handling demand did not increase. That concern was understood by every RTI employee and was taken home at night by everyone devoted to the preservation of the enterprise. Uncertainty of this nature is always a hardship.

At RTI's request, Transport Canada took action to set up a safety net for RTI and those efforts were appreciated. In the months that followed, it became clear to all concerned, however, that the facilities available to Transport Canada and which Transport Canada extended to RTI were not able to meet the urgent RTI needs.

Recognizing that good efforts by well-intended partners in government were unable to meet the needs of this enterprise is very important. The current model of funding on demand, if approved, when approved by government agencies does not support the organization well. As is customary for all similar commercial enterprises, this Crown Corporation will require a revised funding structure in the years going forward that allows for credit facilities available promptly when urgent needs arise.

RTI has a current and urgent need to have access to commercial borrowing lines that are customary in operating business enterprises of this nature. We encourage timely steps to put such facilities in place well in advance of the next crisis.

In 2009 we have implemented changes in the RTI supervisory structure and we have made considerable progress in developing contracts with our customers. These steps will require continued refinement in 2010.

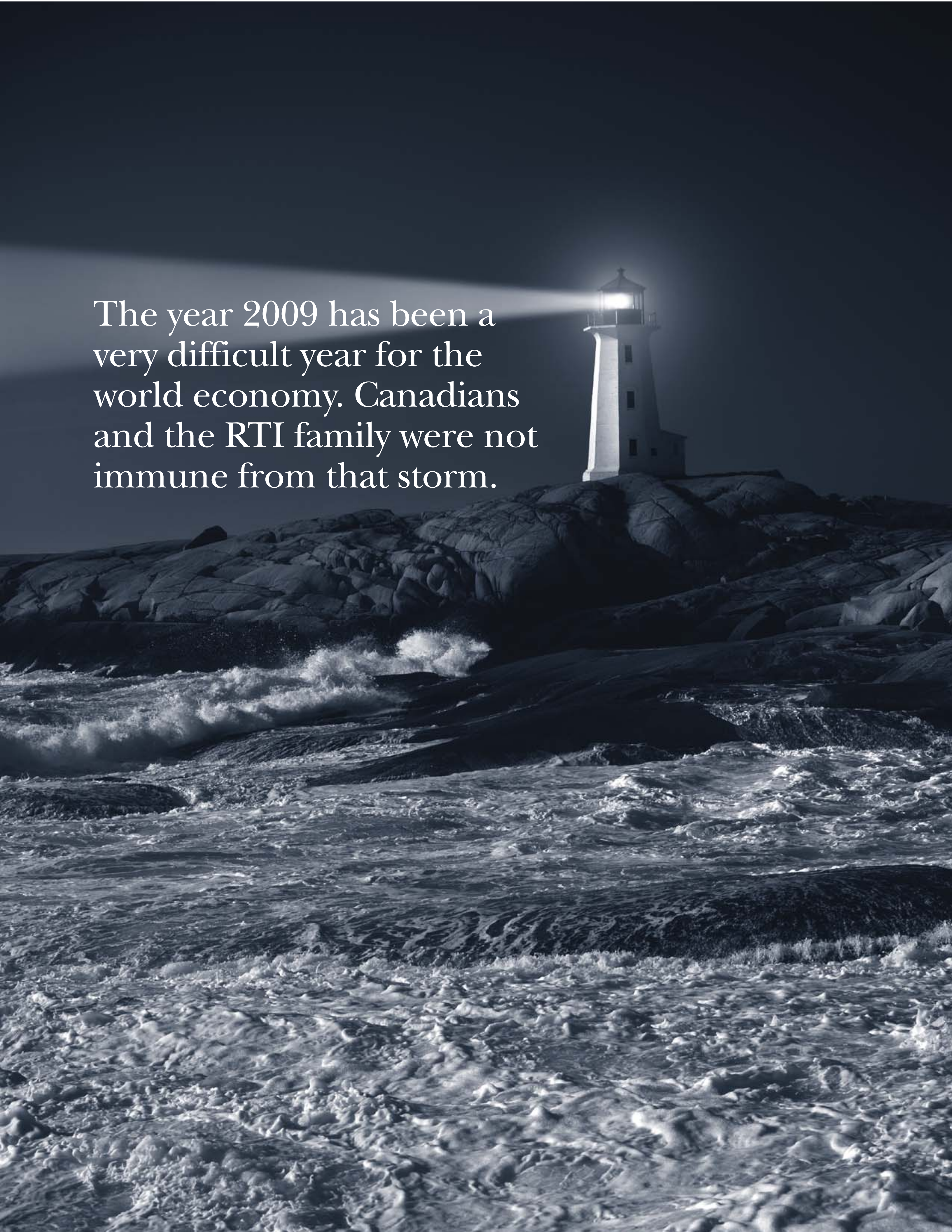
> I wish here to extend my thanks to the employees who have weathered a difficult period as well as my apologies to our customers who have been placed in the uncomfortable position of being asked to increase their commitment to RTI at the same time that uncertainties in their markets threatened their enterprises.

RTI extends heartfelt thanks to former RTI Chairman, Dan Veniez, for his dedicated leadership. He labored with intensity and focus to create value for the taxpayer and put RTI on a sound and sustainable commercial footing.

My personal thanks is extended to Chairman Bud Smith whose insight and experience in Ottawa has served RTI well in this difficult time, my added thanks are extended to the full Board of Directors who have laboured well to make RTI a sound venture.

We approach 2010 with a sense of optimism that would have been un-thinkable just 120 days ago.

George Dorsey
President



The year 2009 has been a very difficult year for the world economy. Canadians and the RTI family were not immune from that storm.

Key Highlights of 2009

Figure 1: RTI's financial performance in 2009

(in thousands CDN $)	2009	2008	Variance ($)	Variance (%)
Total Revenue	25,047	24,744	303	1%
Terminal Revenue	25,040	24,623	417	2%
Investment Income	7	121	(114)	-94%
Total Operating Expenses(1)	21,044	23,512	(2,468)	-10%
Net Operating Income	4,003	1,232	2,771	225%

(1) excludes amortization

Operations

RTI's goals for 2009 were to build upon operational efficiencies, reduce input costs, and secure long-term relationships with our valued customers, while ontinuing to provide a rewarding and safe work environment for our employees.

The year started off precariously as RTI was not immune to the recession that gripped the global economy. For the first six months of 2009 the Terminal's handling volumes were impacted severely, thus resulting in limited revenue generation. In fact only one third of all revenue generation for the fiscal year was received between January and June. During this period our employees demonstrated their true mettle, by performing admirably during uncertain times.

Fortunately the last half of 2009 was a polar opposite and the Company ended the year with a 225% increase in operating income versus 2008. This significant increase was achieved in light of total rail and vessel handing volumes reduced by 13% and 14% respectively when compared to the previous year. The bottom line was positively impacted by the goals the Company set out to achieve for 2009. The 225% increase was a net result of increased operating efficiencies, a reduction in overall operating expenses and an improvement in throughput rates.

Revenues

Figure 2: Revenues by source in 2009

(in thousands CDN $)	2009	2008	Variance ($)	Variance (%)
Throughput	22,904	22,419	485	2%
Lines & Berthage	676	721	(45)	-6%
Despatch	672	1,508	(836)	-55%
Storage & Other Fees	788	(25)	813	3252%
Total Terminal Revenue	25,040	24,623	417	2%
Investment Income	7	121	(114)	-94%
Total Revenue	25,047	24,744	303	1%

Throughput

Revenues from coal products accounted for 81% of total terminal revenues, with petroleum coke at 15% and wood pellets accounting for 4%. Total throughput revenues amounted to $22.9 million. In 2009 the average throughput revenues per tonne (unloaded and shipped) increased by 18% to $5.98 from $5.07 in 2008. Negotiated throughput rates vary by customer, depending on a number of factors including the contract length and minimum guaranteed annual volumes.

Lines and Berthage

Each vessel loaded at the Terminal pays lines and berthage fees. Lines revenues are generated based on a flat fee per ship, while berthage revenues depend on the size of the vessel and the length of time it occupies the berth. On a combined basis, lines and berthage revenues slightly decreased to $676,000.

Despatch

RTI earns despatch when the time taken to load a ship is less than the laytime allowed. If the time taken to load exceeds the laytime allowed, the company pays demurrage. The company has been earning despatch on most vessels loaded. In 2009 the company earned $672,000 in net desptach revenue on 80 ships loaded versus $1.5 million on 81 ships in 2008. The 55% decrease was a factor of deep cuts in ocean freight rates over the period.

Investment Income

RTI earned an investment income of roughly $7,000 in 2009, which dropped significantly from 2008. The drop was a combination of historically low interest rates and the Company drawing down its cash reserves during the first half of the year when shipment volumes and revenue generation was negatively impacted.

Operating Expenses

Total operating expenses decreased by $2.5 million or 10% in 2009 compared to the previous reporting period. Even with the omission of severance from 2008, the Company was able to decrease overall expenditures by roughly 5%. Management is grateful to the employees of RTI for their efforts, especially during the period of time when handling volumes were low and tough decisions were required to reduce the flow of expenditures.

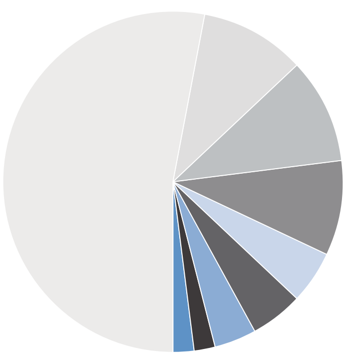
RTI's major expense components are noted in the table and chart below.

Figure 3: Operating expenses in 2009 Vs 2008

(in thousands CDN $)	2009	2008	Variance ($)	Variance (%)
Salaries, wages and benefits	11,268	12,526	(1,258)	-10%
Equipment, operations and maintenance	2,132	1,838	294	16%
Lease rental	2,061	1,911	150	8%
Contract and professional services	1,878	1,702	176	10%
Management services	1,035	1,326	(291)	-22%
Site utilities	975	1,086	(111)	-10
Municipal taxes	812	914	(102)	-11%
Insurance	501	458	43	9%
Office	440	450	(11)	-2%
Severance	(58)	1,301	(1,359)	-104%
Total Operating Expenses (1)	21,044	23,512	(2,468)	-10%

(1) excludes amortization

Figure 4: Breakdown of operating expenses – 2009



53% Salary, wages and benefits
10% Equipment, operations and maintenance
10% Lease rental
9% Contract and professional services
5% Management services
5% Site utilities
4% Municipal taxes
2% Insurance
2% Office
- 0.3% Severence

Salaries, Wages and Benefits

Salaries, wages and benefits combine to represent the Company's largest expense item, accounting for 53% or $11.3 million of operating expenses in 2009. Compared to the previous reporting period, RTI experienced a drop of nearly $1.3 million or 10%, which was the effect of a reduced operating schedule and temporary decrease in manning levels for a portion of the year.

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

Benefits

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 has seen the average age of employees increase for a number of years. However 2009 saw a slight decline with the retirement of four long term employees in the period. Their valued service to the Company spanned an average of 23 years.

Extended health and dental benefit rates, which are adjusted based on the company's claims experience, has been rising per employee in recent years. However, due to the Company's decision to change plan providers, benefit costs per employee were reduced, with no effect on the level of services provided.

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. In 2009, CPP remained at 4.95% and EI at 1.73%. WCB rates are set on an industry-wide basis and for the last few years these rates have been decreasing. The company's safety record impacts the overall WCB rate, thus RTI's excellent safety record has resulted in lower rates again in 2009, which were 0.83% compared to 1.01% in 2008.

Productivity Bonus

As an incentive, RTI pays a productivity bonus to almost all employees 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 2009 total bonuses amounted to $335,959 a decrease of 55% compared to 2008. The decrease is attibuted to the steep decline in demurrage/dispatch rates, specifically during the first half of 2009

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.

Equipment Operations and Maintenance

Equipment operations and maintenance costs increased by roughly $300,000 or 16% in 2009 to $2.1 million from $1.8 million in 2008. The largest expenditure in this area was the replacement of a 1400 meter yard coal belt at a cost of $450,000. Expenditures were and are expected to increase as the facility advances in age.

Site Rent

Rent is paid on a per tonne basis to the Prince Rupert Port Authority ("PRPA"). The original 25 year lease has been extended for a further 30 years ending March 31 in 2039, with an option for an additional 20 years. The renewed arrangement included an increase in the fee structure, plus the establishment of a minimum annual rent guarantee. Total rent increased from $1.9 million in 2008 to $2.1 million in 2009, an increase of 8% on reduced coal volumes. As a result of projected increased volumes and sharp per tonne rental costs under the new lease, fees paid to PRPA is projected to increase by more than 50% in 2010.

Contract and Professional Services

Services provided by third parties increased by 10% between 2008 and 2009. The main components are consulting, contracting and legal services. RTI engaged the services of an engineering firm to assess the structural condition of the Terminal during 2009. Third party services were required on several potential product diversification projects, as well as legal fees were incurred in connection with the negotiation of a renewed site lease and customer contracts.

Management Services

RTI engaged the services of Edgewood Holdings LLC in 2008 to provide terminal management services. The current period saw a decrease in management services expenditures by 22% when compared to 2008. The contract is based in US dollars and with a steady increase in the value of the CDN dollar over the year, RTI became the beneficiary of an improved currency exchange.

Site Utilities

The largest utilities expense is electricity, followed by natural gas. Site utilities decreased from $1.09 million in 2008 to $0.98 million in 2009 due to reduced handling volumes.

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 $0.50 million in 2009 from $0.46 million in 2008.

Office

Office expenditures are the summation of the many components, from office supplies, association fees, as well as noncapital IT related acquisitions. Overall expenditures decreased by 2% in 2009 from 2008.

Customers

With the effects of the economic downturn from late 2008 continuing into the first half of 2009, RTI was forced to reduce its operating hours for a period of time. The Company made every effort to lessen the impact on our customers, however it is understood that some of our difficulties became a collective issue. RTI's Board, Management and employees would like to thank our customers for understanding and facilitating the process during this period.

The second half of the year and to be more specific the last four months of 2009 saw a significant increase in handling volumes. At this time the Terminal returned to a 24/7 operation.

Customer updates for 2009 include:

- A renewal of our long term relationship with Husky
- First vessel shipment of petroleum coke from PetroCanada (now Suncor)
- Long term contract established with Coal Valley Resources Inc.
- Wood pellet shipments (Houston Pellets) increased over 100%, with the intention of expanding RTI's footprint in this commodity in the near term.

People

In May 2008 RTI signed a new seven-year collective agreement with ILWU 523. This has resulted in a working environment where the non-managers collaborate with managers to continuously improve performance. The agreement provides for increases in wages of five percent in year one and year seven of the contract as well as CPI-based increases in years two to six. The Terminal's manning has increased from 89 employees at the end of 2008 to 93 employees one year later.

As mentioned previously the Terminal reduced operating hours for a period of time in 2009 and with the reduction came a reduction in manning.

The Company did not take this decision lightly as each and every employee is valued. Fortunately, the down-turn in volume handling did not last for a protracted period and the Terminal was able to return to full operating hours and a full manning complement. The Board and Management are grateful to the employees of RTI for their efforts and dedication in performing admirably during this unplanned downturn.

Community.

In 2008, Ridley Terminals and the Coast Tsimshian, comprising the Lax Kw'alaams and Metlakatla First Nations, signed an historic Protocol Agreement. This was followed with the signing of a Business Opportunities Agreement in June 2009. Subsequent to the historic signing of the Protocol and Business Opportunity agreements Ridley Terminals and the Coast Tsimshian formed a Joint Implementation Committee to administer the accords. The Committee's first mandate was to establish a dialogue between the participants and to create an exchange of ideas between the parties. This committee is meeting regularly to monitor progress of our mutually agreed upon issues and to identify opportunities as we develop our objectives for the future. A close working relationship has been formed between Ridley Terminals and the Coast Tsimshian. We are confident that the committee will establish real opportunities for future business development to the shared benefit of Ridley Terminals and the Coast Tsimshian First Nations.

Resources.

In 2009 the Terminal replaced one of two main yard belts at a length of 1400 meters. The belt had been patched on previous occasions, however it had reached a point where further patches were determined to be ineffective. The replacement of a ship loader cab was initiated as well as the acquisition of a dedicated ship loading chute for wood pellets. The Terminal will take receipt of these assets in early 2010. Resources were dedicated to the further research of product diversification at RTI, with the intent that in the near term 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 assure 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.

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 2009 RTI's safety performance was excellent with only three recordable incidents and no lost time accidents.

Focus on 2010

Operations

Our goals in 2010 include the following:

- continuing to build upon rail and vessel handling efficiencies.
- expanding our capacity to handle wood pellets.
- exploring opportunities to handle bulk liquids in our existing 40,000 metric tonne liquid storage and handling system. This effort will explore opportunities in sulphur, caustic soda, and other bulk liquid commodities.
- start a three year process for replacing the Terminal's heavy duty mobile equipment.
- commence an extensive repair and repainting of the Terminal's structural surface, which will span several years.
- furthering development and planning for major equipment and infrastructure retrofits and enhancements.

Customers

RTI recognizes that customer satisfaction is a major key to the long term success of the Terminal. The continued success of the Terminal is also dependent on a diligent and effective maintenance program, as well as equipment upgrades to the facility itself. The capital intensive requirements of a facility of this size and age are daunting, but manageable. In order to generate the necessary resources to continue to offer a high level of service, RTI was required to raise its handling fees to levels competitive with other facilities. These newly established rates are implemented as existing contracts expire or new agreements are initiated. RTI is committed to its customers and sees a mutual benefit to the parties as RTI undergoes a retrofit and upgrade of its equipment and infrastructure over the coming years. RTI firmly believes that their customers are on a financially viable foundation, as contract and spot rates for their commodities are at historical highs. Furthermore, the rates offered and negotiated are still quite reasonable and support continued and expanded business in the region.

Management has emphasized 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 service customers. The needs of RTI include but are not limited to:

- infrastructure replacement and or maintenance requirements
- increased port royalty costs
- enhancements to improve quality and reliability of service
- expanded pension requirements resulting from the financial crisis

Although requests for improved commercial terms rarely meet with counterparty support, we believe our newly negotiated agreements and our ongoing discussions will result in a positive outcome for all parties given that:

- Ridley is a key element in the supply chain that our customers see as valuable to the growth of their business. We have a shared interest to help one another prosper in the next decade.
- Current coal market prices, although far below the highest levels in 2008, are still at relatively high levels by historic standards.
- 2010 and beyond projected throughput volumes will test RTI’s current operational capacity and RTI will require substantial reinvestment to service the demand.

People

Ridley has continued to expand its workforce, which has grown from 77 employees in 2007 to 93 employees at the start of 2010. RTI expects to further expand its manning requirements as volumes are projected to increase in both the near and long term. Additional manning will also be required to operate the Terminal’s liquid bulk facility, once a working agreement is in place.

The Company will improve and expand its training programs in 2010, 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. RTI will take receipt of a new ship loading cab and a dedicated wood pellet ship loading chute. 2010 will see the replacement of one of two aging D9 dozers, as well as the commencement of an extensive structural repair and specialized painting program. On a smaller scale the Company is planning to replace outdated and high maintenance service vehicles, the addition of an eight tonne truck crane and upgrading of critical spare parts inventory.

Profitability

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, beyond coal, petroleum coke and wood pellets
- enhanced fees from customers
- expanded fee-earning services

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

International Financial Reporting Standards

RTI will convert from current Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) commencing 2011. To date RTI has engaged the services of KPMG and is assessing and developing a transition plan, which includes 2010 figures for comparative purposes. RTI will maintain two sets of book for the calendar year 2010 and will commence sole reporting under IFRS effective January 1st, 2011. The main components of concern for RTI are asset reporting, compensation and benefit package arrangements, as well as the Company's asset retirement obligation. 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.

Community

RTI enjoys a strong relationship with the surrounding communities and intends to strengthen the relationship 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. RTI has laid down a foundation for the inclusion of the local community with the signing of a protocol agreement in 2008 with the Coast Tsimshian First Nation community and in 2009 with the signing of the Coast Tsimshian Business Opportunities Agreement between Law Kw'alaams First Nation and Metlakatla First Nation bands. These agreements will provide education resources and business opportunities for the local community.

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 Ridley. With the development of a dedicated health and safety management position in 2009 the Company strives to maintain and promote a high quality and safe work environment.

Market

The general growth of the global economy remains uncertain in the near term, depending on which analyst, which region or even which day the prediction is being determined. With this said the commodities that Ridley Terminal handles have increased significantly, with current estimates that RTI will realize a 10 year high in throughput volumes for the calendar year 2010.

Statistics from China show bullish construction in the coming months. Japan and South Korea have shown decent industrial production increases through mid 2009 and into 2010. These three regions are the main destinations for commodities leaving RTI and play an integral component in RTI's success.

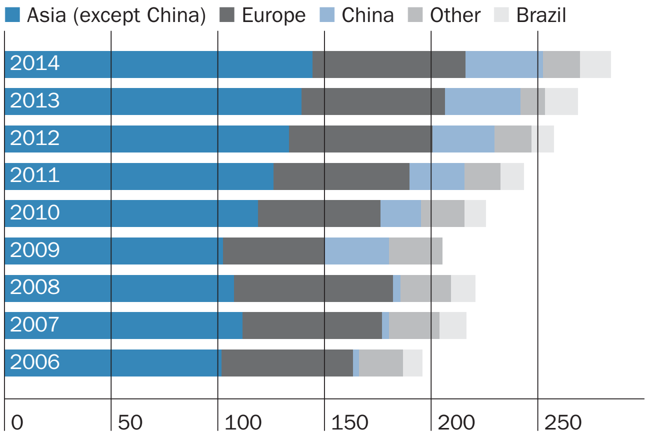
As global demand increases for bulk commodities, RTI will benefit by direct volume from existing customers, as well as from nontraditional customers. North American bulk terminals are dealing with congestion issues and product is being rerouted from terminals that lack capacity. There is evidence of this today, as bulk handling facilities in Vancouver are providing services to US based regions that don't traditionally move their product through the port, thus placing strain on an already stressed transportation hub. RTI has recently received calls from potential customers expressing interest in moving product through the Terminal in order to have access to a reliable and uncongested transportation gateway. Although RTI doesn't bank on these inquiries as of today, it is quite possible that such service arrangements will be invoked in the near future.

Coal

Coal is by far the main commodity handled by the Terminal and accounts for 81% of all RTI volume for 2009. The main subcomponents for RTI are metallurgical coal used in the production of steel and thermal coal for use in energy production. Steel production is on the rise and therefore so is the demand for metallurgical coal. Contract prices for metallurgical coal averaged $128 US a tonne for the previous coal year, with recent 3 month contracts (April to June) signed at $200 US a tonne. $200 a tonne is the second highest rate on record, only surpassed by 2008 contract rates. Seaborne metallurgical coal demand is on the rise from just under 200 million actual tonnes in 2006 to approaching 285 million forecasted tonnes by 2014 (see table following).

Figure 5: Global Seaborne Metallurgical Coal Demand

(in millions of tonnes)

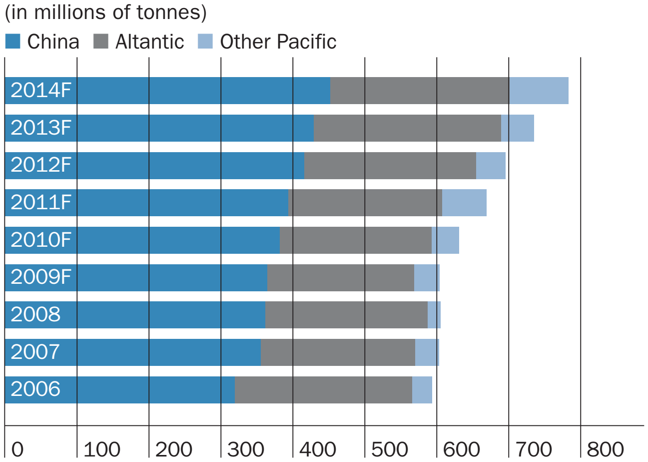


(*Source Macquarie Commodities Research)

Coal based energy demand represents 40% of the world's total energy output and is seen as a secure supply for future energy demands. At current consumption rates it is estimated that there is a 130 year supply in coal reserves around the world. Seaborne thermal coal demand is on the rise from 587 million actual tonnes in 2006 to approaching 765 million forecasted tonnes by 2014 (see table following). Environmental concerns are being lessened as current technological advancements are reducing CO_2 emissions by 40% when compared to 20th century coal energy plants.

Figure 6: Global Seaborne Thermal Coal Demand

(in millions of tonnes)



(*Source Macquarie Commodities Research)

The various global stimulus packages created in 2009 will overlap into 2010 and promote the growth of industrial based products like steel, thus increasing the demand for metallurgical coal. This will also generate increased demand for energy based commodities like thermal coal. For China, who until just last year was a net exporter of coal, is now a net importer due to increased domestic demand.

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 handles petroleum coke from three facilities and has the potential to contract volume from a fourth facility in mid to late 2010.

Wood Pellets

Wood pellets are a clean, CO_2-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 "green" energy fuels in countries committed to the Kyoto Protocol. In 2008 close to 10 million tonnes of pellets were produced worldwide, and production is expected to double over the next four to five years according to the Wood Resources Quarterly.

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 has endeavored to find a compatible partner for the movement of liquid bulks through the Terminal. With one or several potential partners on the horizon RTI could see its first shipment of liquid product in 2011. This will further diversify the Company's product handling portfolio and will also increase the overall utilization of the facility.

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 days beyond the 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:

An incentive payment paid for loading a cargo faster than the stipulated or usual time. The term is likewise applied to the payment for such fast loading.

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.

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.

Source: Macquarie Commodities Research

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

February 19, 2010

AUDITOR'S REPORT

To the Minister of Transport, Infrastructure and Communities

I have audited the balance sheet of Ridley Terminals Inc. as at December 31, 2009 and the statements of operations, comprehensive income and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Company 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 the Company.

Andrew Lennox

Andrew Lennox, CGA, CMA
Assistant Auditor General
for the Auditor General of Canada

Vancouver, Canada
February 19, 2010

Balance Sheet

As of December 31 (in thousands of Canadian Dollars)

	2009	2008
	$	$
ASSETS		
Current assets		
Cash	4,450	5,086
Accounts receivable (Note 4)	3,557	1,874
Inventory	3,112	3,023
Prepaid expenses	132	119
Deferred Lease Rental Payment (Note 5)	–	238
	11,251	10,340
Long-term assets		
Property, plant and equipment (Note 6)	10,189	13,085
Accrued pension benefit asset (Note 7)	6,127	4,253
	16,316	17,338
	27,567	27,678
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,665	3,337
	2,665	3,337
Long-term liabilities		
Asset retirement obligation (Note 8)	2,314	2,247
Deferred government contributions towards capital assets (Note 9)	191	3,012
	2,505	5,259
	5,170	8,596
SHAREHOLDER'S EQUITY		
Capital stock (Note 10)	136,042	136,042
Contributed surplus (Note 10)	64,000	64,000
Accumulated deficit	(177,645)	(180,960)
	22,397	19,082
	27,567	27,678

Commitments and Contingencies (Notes 11, 12)

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, 2009 (in thousands of Canadian Dollars)

	2009	2008
	$	$
Revenues		
Terminal revenue	25,040	24,623
Investment income	7	121
	25,047	24,744
Expenses		
Salaries, wages and benefits	11,268	12,526
Asset write-down (Note 6)	3,116	-
Equipment operations and maintenance	2,132	1,838
Lease rental (Note 11)	2,061	1,911
Contract and professional services	1,878	1,702
Management services (Note 13)	1,035	1,326
Site utilities	975	1,086
Municipal taxes	812	914
Insurance	501	458
Office services and supplies	440	450
Amortization and restoration costs	393	293
Severance	(58)	1,301
	24,553	23,805
Net income before government contribution	494	939
Government contribution (Note 9)	2,821	–
Net income and comprehensive income	3,315	939
Accumulated deficit, beginning of year	(180,960)	(181,899)
Accumulated deficit, end of year	(177,645)	(180,960)

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

Statement of Cash Flow

Year ended December 31, 2009 (in thousands of Canadian Dollars)

	2009	2008
	$	$
OPERATING ACTIVITIES		
Cash receipts from customers	23,352	26,640
Interest received	12	128
Cash paid to employees	(11,743)	(11,784)
Pension funding (Note 7)	(2,691)	(2,353)
Cash paid to suppliers	(7,911)	(7,704)
Cash paid for lease rental	(1,451)	(1,814)
Cash flows (used in) from operating activities	(432)	3,113
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(204)	(807)
Proceeds of disposition of property, plant and equipment		(10)
Cash flows used in investing activities	(204)	(817)
FINANCING ACTIVITIES		
Deferred government contribution repaid	–	(960)
Cash flows used in financing activities	–	(960)
Net (decrease) increase in cash	(636)	1,336
Cash, beginning of the year	5,086	3,750
Cash, end of the year	4,450	5,086

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

Notes to the Financial Statements

December 31, 2009 (amounts in tables are in thousands)

1. Governing Statues 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. Adoption of Accounting Standards

(a) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the new CICA Handbook sections 3064, “Goodwill and Intangible Assets”. Section 3064 expands on standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This section replaces section 3062 and applies to, among other things, expenditure on advertising, training, start-up, and research and development activities. Research and development activities are directed to the development of knowledge. The Company has reviewed the impact of this new standard and has judged that there is no material impact on its financial statements.

(b) Revenues and Expenditures during the Pre-Operating Period – EIC-27

EIC-27 withdrawn:
Upon adoption of section 3064 (Goodwill and Intangible Assets) the Abstract EIC-27 is no longer applicable. Previously, an expenditure incurred during the pre-operating period could be deferred to the extent that certain criteria were satisfied. No material impact was incurred on the financial statements of the Company with the withdrawal of Abstract EIC-27.

(c) Future Accounting Changes

The Canadian Accounting Standards Board has announced that publicly-accountable Canadian reporting entities will adopt International Financial Reporting Standards as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The Company is currently transitioning to IFRS for the period beginning January 1, 2010 to meet the adoption requirement for prior period comparative data.

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 upon the production of three coal suppliers, as disclosed in note 14 and also to the extent that the 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 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 and bank indebtedness, their carrying value approximates fair value.

Revenue recognition

Throughput revenue is determined by multiplying the contracted throughput rate by the number of tonnes handled, and constitutes the majority of the Company's terminal revenue. 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.

Inventory valuation

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 their disposition either intact as a going concern or on a salvage basis. With the exception of the sulphur terminal and wood pellet terminal assets, amortization is being recorded on the residual value, less salvage value, using the straight-line basis to 2024. The wood pellet terminal commenced operations in 2007 and is being amortized on a straight-line basis to 2024. The sulphur terminal was written down to its salvage value in 2009 as described in note 6. 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% and 20%
Office furniture and equipment	20% and 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, as per CICA Handbook section 3461 Employee Future Benefits.

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 of December 31:

(in thousands $)	$	$
Accounts receivable		
Trade	3,444	1,739
Other	113	135
	3,557	1,874

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

5 – Deferred Lease Rental Payment

Deferred Lease Rental Payment as of December 31:

	2009	2008
(in thousands $)	$	$
Deferred lease rental payment	0	238

During 2005, the Company entered into an agreement with the Prince Rupert Port Authority which was expected to result in an extension of the twenty-year renewal term to a thirty-year site lease term. As part of this agreement, the Company made an advance payment of $550,000 of lease rental. The advance payment was also intended to apply against future increases in the Consumer Price Index, until the original term lease expired in 2009, March 31st. The site lease term was renewed for a thirty-year term effective 2009, April 1st (Note 11). With the renewal of the lease, the deferred lease payments were depleted and utilized against the current lease payments.

6. Property, Plant and Equipment

Property, Plant and Equipment Balance as of December 31:

	Cost	Accumulated & amortization Impairment	2009 Net	2008 Net
(in thousands $)	$	$	$	$
Terminal facility	239,874	231,328	8,546	8,767
Sulphur terminal	3,696	3,116	580	3,688
Wood pellet terminal	724	36	688	208
Machinery and equipment	2,307	1,980	327	318
Office furniture and equipment	1,675	1,627	48	104
	248,276	238,087	10,189	13,085

The Sulphur Terminal assets were written-down to their salvage value of $580,000 in 2009. The 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 9). 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 current period.

7 - Accrued Pension Benefit

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 of December 31:

	2009	2008
(in thousands $)	$	$
Company current service cost	731	1,088
Interest cost	1,512	1,421
Actual (increase) decrease on plan assets	(3,611)	3,965
Actuarial loss (gain) on accrued benefit obligation	3,332	(6,775)
Costs arising in the period	1,964	(301)
Differences between costs arising in the period and cost recognized in the period in respect of:		
Loss (return) on plan assets	2,139	(5,580)
Actuarial (gain) loss	(3,104)	7,108
Transitional asset amortization	(184)	(184)
Net periodic pension cost recognized	815	1,043

Information about the Company's defined benefit pension plans as at the measurement date of December 31, 2009 in aggregate is as follows:

Defined Benefit Pensions Plan:

	2009	2008
(in thousands $)	$	$
Accrued benefit obligation at the beginning of year	20,021	25,353
Company current service cost	731	1,088
Interest cost	1,512	1,421
Employee contributions	268	266
Benefits paid	(1,011)	(1,332)
Actuarial loss (gain)	3,332	(6,775)
Accrued benefit obligation at end of year	24,853	20,021
Fair value of plan assets at beginning of year	20,131	22,809
Actual return of plan assets	3,611	(3,965)
Company contributions	2,691	2,353
Employee contributions	268	266
Benefits paid	(1,011)	(1,332)
Fair value of plan assets at end of year	25,690	20,131

	2009	2008
	$	$
Funded status - surplus (deficit) at end of year	835	110
Unamortized transitional asset	(350)	(534)
Unamortized net actuarial loss	5,642	4,677
Accrued pension benefit asset	6,127	4,253

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

Accrued Benefit Obligations Assumptions:

	2009	2008
	%	%
Discount rate at beginning of year, used to determine the net periodic pension cost	7.50	5.53
Discount rate at end of year, used to determine year-end disclosures	6.75	7.50
Expected long-term rate of return on plan assets	7.00	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 period of the active employees covered by RTI's pension plans as of 2009.

– Registered Plan: 12 years
– Supplementary: 8 years

The most recent actuarial valuation for funding purposes was as at December 31, 2008. This valuation identified a going concern deficit of $5,254,000. The required payments to fund this deficit are $6,000 per year for the next 11 years, $10,000 per year for the next 12 years and $225,000 per year for the next 15 years. The valuation also identified a solvency deficiency of $2,923,000, and a solvency ratio of 71.1%. Because the solvency ratio is less than 100%, the Company is required to make special payments of $341,000 per year over 5 years starting in 2007, $566,000 per year over 5 years starting in 2008, plus $365,000 per year over 10 years starting in 2009, to eliminate the shortfall. The next actuarial valuation for funding purposes will be as at December 31, 2009, but is not yet complete. The market value of the plan assets have increased from a market value of $20,131,000 in 2008 to $25,690,000 in 2009. 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, 2009, 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 $)	$
2010	1,513
2011	1,513
2012	1,171
2013	605
2014	605
Subsequent years	3,572
Total minimum funding payments	8,979

8, Asset Retirement Obligation

Assets Retirement Obligation as of December 31:

	2009	2008
(in thousands $)	$	$
Balance, beginning of year	2,247	2,182
Accretion expense	67	65
Balance, end of year	2,314	2,247

Under the terms of the Company's land lease with Prince Rupert Port Authority (Note 11), 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.

The ultimate amount of future site restoration costs to be incurred is uncertain. The amount recorded as the asset retirement obligation is based on a number of assumptions. These assumptions include the undiscounted estimated cost of alleviating environmental damage of $1.8 million and the undiscounted estimated cost of removing terminal assets of $1.8 million, both of which are expected to be incurred at the end of the estimated useful life of the Company's terminal assets in 2024. These costs are discounted at the credit-adjusted risk-free rate of 3%.

During 2009, there were no new liabilities incurred, no liabilities settled and no revisions to estimated cash flows.

9. Deferred Government Contributions Towards Capital Assets

Deferred Government Contribution as of December 31:

	2009	2008
(in thousands $)	$	$
Balance, beginning of year	3,012	3,045
Write-down of associated capital assets (Note 6)	(2,789)	0
Loss on Disposal	(8)	0
Amortization of government contributions towards capital assets	(24)	(33)
Net Change	(2,821)	(33)
Balance, end of year	191	3,012

The Sulphur terminal assets were written-down in 2009 to their salvage value as explained in note 6. 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).

10. 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 of December 31:

	2009	2008
(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.

11. 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 following an initial three year period. In exchange for the initial fixed rate structure the Company agrees to pay a minimum annual rent fee of $1,750,000. 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. Beyond the initial three year period of the agreement the f uture fee structure will be dependent upon whether or not the Company exercises certain options contained within the agreement.

12. 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.

13. 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 9 and note 10, as well as the lease agreement with the Prince Rupert Port Authority described in note 11 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 increasing the effectiveness and efficiency of the Terminal, establishing sound business contracts, improving the overall profitability, while building upon the reliability and quality of service provided to our customers. The Agreement is for an initial period of five (5) years commencing on June 1, 2008 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 initial five year period agreement is at a flat service fee of $850,000 USD per annum, with a foreign currency exchange floor of 30%, 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, with a per annum cap established at $1,500,000 USD, actual payout ($0 to $1,500,000) to be determined by the Board of Ridley Terminals Inc. The agreement may be cancelled by the Company on six months notice or payment of $400,000 USD termination fee.

In December 2009, the Company gave notice to Edgewood Holdings LLC to modify the relationship between the parties effective July 1, 2010. The existing agreement will end and the Company expects to enter into a new contract with Edgewood Holdings.

For the period ending December 31, 2009, Edgewood Holdings LLC earned a management consulting team service fee of $996,000 CAD and related group reimbursements of $39,000 CAD.

Legal Fees

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

14. Economic Dependence

The Company is dependent upon the production of 3 coal suppliers who provided 68.2% of the Company's 2009 revenue (70.3% - 2008). The Company and one of the prior stated coal suppliers do not have a long-term throughput agreement in place. It is the intent of the Company to negotiate a long-term agreement with the coal supplier during 2010. The first half of 2009 saw minimal movement of products through the Terminal and thus the Company depleted its cash reserves to dangerously low levels. Accounts receivable from these significant customers at December 31, 2009 was $1,531,000 (2008 - $1,095,000).

15. 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 and cash.

The carrying amount of cash and accounts receivable represents the maximum credit exposure.

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. The accounts receivable are concentrated with three major customers, and these customers represented approximately 70% of RTI's revenues in 2009. 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, 2009, there were no trade accounts receivable past due which were considered uncollectible and no reserve in respect of doubtful accounts was set up.

December 31, 2009 (amounts in tables are in thousands)

The carrying amount of financial assets represents the maximum credit exposure. The maximum 2009 exposure to credit risk is:

Accounts Receivable	3,557
Total	$3,557

The risk on cash is minimized as these assets are held with a Canadian Chartered Bank.

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 include 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.

16. Subsequent Events

In early 2010, the Terminal had a coal discharge into the marine environment, while dealing with abnormal operating conditions. The severity and impact are being evaluated by the Company and relevant Government agencies. At the completion of the 2009 financial statements, the Company is unaware of any pending claim or penalty. Management has taken steps to avoid future coal discharges and is reviewing its existing policies and procedures.

17. 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.

18. 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 period ended December 31, 2009, 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.

19. 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

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, Lang Michener LLP
Vancouver, BC

Management

Dennis E. Blake
Senior Manager

Cordell Dixon
Controller

Thomas P. Harvey
Project Planning Manager

Leslee Hicks
Finance & Accounting Adminis-trator

Frank Johansen
Electrical Coordinator

Mike Kernachan
Mechanical Coordinator

Kenneth J. Lindenberger
Safety/Security/Environment Co-ordinator

Peter J. Petersen
Operations Coordinator

Brenda Sparkes
Human Resources Administrator

Legal Counsel

Lang Michener 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
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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.