March 31, 2019

Ridley Terminals Inc.

2019 Q1 Report

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MANAGEMENT'S DISCUSSION & ANALYSIS

Forward-looking Statements

Certain statements in this 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. Readers are cautioned that future results may vary materially from any results stated or inferred by forward-looking statements contained herein.

Business Environment

Ridley Terminal Inc. (RTI) generated $6,118,000 in net operating income during the first three months of 2019. Continued growth in rail and vessel handling volumes was the driver behind these strong economic results. Total volumes, measured in tonnes, for the three-month period were 2,197,030 for rail and 2,388,159 for shipping (2018: 1,940,547 and 2,001,703).

Both thermal and metallurgical coal throughput saw consistent growth in 2018. China holds the top spot as the largest importer of both metallurgical and thermal coal, with India following close behind as the second largest importer in both categories. Growth in thermal coal is attributed to thermal coal's low cost as an energy source, while growth in metallurgical coal was driven by strong industrial production and, consequently, strong steel output around the world.

Robust demand for metallurgical coal was supported by strong growth in industrial production around the world and thus strong steel output. For the first quarter of 2019, world crude steel production was up approximately 5% over the previous year, led by a significant increase in Chinese steel output. Global steel production was also up 5% on the year, with the majority of the output powered by Asia. Metallurgical coal growth is projected to grow over the next couple of years, but the pace of that growth is projected to be slower than the last two years. And while metallurgical coal volumes were up in Q1 of 2019, cold weather was considered to have dampened output volumes.

Demand for Canadian coal remains strong and Canada is forecast to increase exports, because several operations are ramping up capacity. One of RTI's customers, Teck, expects its coal production to be in the range of 26 to 26.5 mt as market conditions continue to be favourable. In addition, RTI's new customer, Coalspur Mines, is expected to begin shipping coal in Q2 2019. Coalspur's flagship project, the Vista Coal Project, has the potential to be one of the largest export thermal coal mines in North America.

Based on current forecasts, metallurgical coal, thermal coal and petroleum coke exports through RTI will increase again in 2019, with the potential to exceed 11 million tonnes.

Stacker-Reclaimer Repair SR 301

The project to repair the damaged stacker-reclaimer is nearing completion. The machine will receive a completely new boom structure, except for the boom tip. Although there have been delays in the supply of steel, the project is expected to be completed and the machine fully commissioned in Q2 2019.

Berth Expansion and Existing Railcar Unloading Facility Upgrades

Berth Expansion

RTI continues to plan for the construction of a second berth adjacent to the current berth. If the expansion moves forward, the berth will be capable of handling Panamax-sized vessels. When the expansion berth is commissioned, the existing berth will focus on handling dry-bulk products and servicing vessels up to the larger Capesize class.

Existing Railcar Unloading Facility Upgrades

RTI is planning significant improvements to its existing railcar unloading facility to meet the short-term increase in throughput demand. The upgrades will increase reliability and throughput capacity. The Engineering Procurement Construction Management (EPCM) contract has been awarded, and the project is expected to commence at the end of Q3 2019 and be completed prior to the end of 2019.

Ridley Island Propane Export Terminal (RIPET)

Commissioning for RIPET is nearing completion. It is on schedule and the facility is expected to be fully operational by Q2 of 2019. Propane from British Columbia and Alberta will be transported to the facility using 50 to 60 rail cars per day through the existing CN rail network. The Terminal is permitted to ship 1.2 million tonnes of propane per annum.

Operational Performance

Comparative Performance

The following table depicts select measures of comparative performance for the first quarter of 2019:

For the three months ended March 31:

	2019	**2018**	**Var ($)**	**Var (%)**
Total Revenues	**25,016**	23,490	1,526	6.50%
Operating Income	**6,118**	7,888	(1,770)	-22.44%
Comprehensive income	**3,922**	6,874	(2,952)	-42.94%
Rail throughput (In 000's of tonnes)	**2,197**	1,941	256	13.22%
Vessel throughput (In 000's of tonnes)	**2,388**	2,002	386	19.31%

Revenues

For the three months ended March 31:

	Note	2019	2018	Var ($)	Var (%)
(in thousands of Canadian dollars)					
Shipping		**11,889**	9,992	1,897	18.99%
Receiving		**12,934**	10,436	2,498	23.94%
Berthage		**407**	197	210	106.60%
Lines		**116**	100	16	16.00%
Despatch		**186**	414	(228)	-55.07%
Demurrage		**(571)**	(14)	(557)	3978.57%
Storage Fees		**43**	10	33	330.00%
Shortfall	3	**-**	1,759	(1,759)	-100.00%
Total Throughput Revenues		**25,003**	**22,894**	**2,109**	**9.21%**
Sub-lease		**-**	555	(555)	-100.00%
Other		**13**	40	(27)	-67.50%
Total Revenues		**25,016**	**23,489**	**1,527**	**6.50%**

Total revenues earned in the first quarter of 2019 were $25,016,000 (2018: $23,489,000), for an increase of $1,527,000 or 6.50% over the same period in 2018.

Throughput revenue in the first quarter of 2019 was $25,003,000 (2018: $22,894,000), for an increase of $2,109,000 or 9.21%. In the first quarter of 2019, the average throughput revenue per tonne of shipments (excluding shortfall penalties) decreased by $0.09 to $10.47 (2018: $10.56).

Shortfall penalties were not recognized in revenue during the first quarter of 2019 (2018: $1,759,032), as a result of adopting the accounting standard IFRS 15 Revenue from Contracts with Customers at the start of 2018 (see Note 3, Significant Accounting Policies).

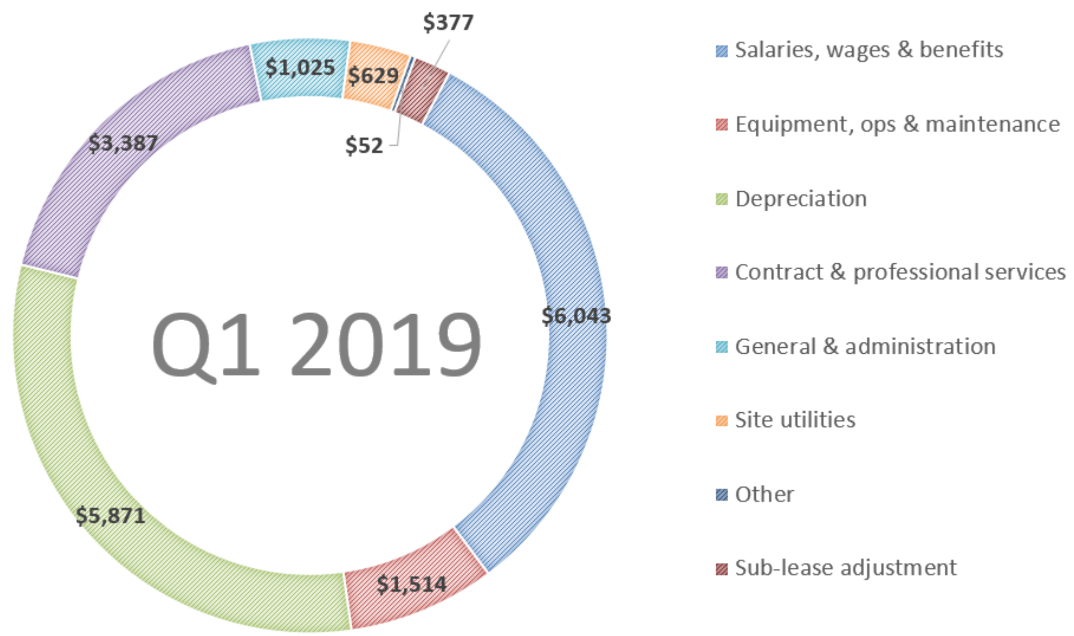
Despatch and Demurrage are charges relating to vessel loading time in comparison to laytime. Despatch generates revenue as it is earned when the vessel is loaded faster than the allotted laytime. Demurrage is the penalty for loading the vessel slower than the allotted laycan. Therefore dispatch and demurrage offset each other in total revenues. Despatch for Q1 dropped to $186,000 from $414,000 in the prior year. Demurrage for the first quarter totalled $571,000 (2018: $14). The drop in despatch and the increase in demurrage are a result of vessel loading delays while upgrades were being completed on another stacker-reclaimer on site, as well as berth delays due to LPG enhancements.

There was no sub-lease revenue recognized during the quarter as this changed in accordance with the newly adopted accounting standard IFRS 16 Leases. As the sub-lease was effectively prepaid, the balance of deferred sub-lease revenue was eliminated and an adjustment was recognized to accumulated retained earnings on transition. For a more detailed discussion, please see Note 3 Significant Accounting Policies.

Coal volumes accounted for 87% of total Terminal shipments in the first quarter of 2019, with petroleum coke covering the other 13%. The number of vessels loading product at RTI during this period was 29, compared to 25 vessels in the same period in 2018, and the average vessel cargo volumes remained relatively unchanged.

Operating Expenses

For the quarter ended March 31:
(in thousands of Canadian Dollars)



Expenses during the first quarter of 2019 totalled $18,898,000 (2018: $15,602,000), for an increase of $3,296,000 or 21.13% over 2018's first quarter.

Salaries, wages and benefits for the quarter increased to $6,043,000, from $5,510,000 in the same quarter in 2018, for an increase of $532,000 or 9.65%. In the first quarter of 2019, salaries, wages and benefits comprised 31.98% of total expenses.

Depreciation expenses doubled to $5,871,000, from $2,925,000 in the same quarter of 2018, for an increase of $2,946,000 or 100.71%. This increase in depreciation is a direct result of having adopted the IFRS 16 Leases standard. By bringing right-of-use or leased assets onto the balance sheet, depreciation has increased substantially. For a more detailed discussion, refer to Notes 3 and 13.

Contract and professional services comprised 17.92% of total expenses and increased substantially over the same quarter in 2018. The first quarter of 2019 totaled $3,387,000 compared to $1,496,000 in 2018, for an increase of $1,891,000 or 126.41%. The reason for the increase is the ongoing commercial and diversification initiatives, which have required professional services and outlays for these services have increased substantially year over year.

Equipment, operations and maintenance expenses also saw a large increase in the first quarter of this year compared to the same quarter last year. These costs were $1,514,000 in the first quarter (2018: $671,000), for an increase of $843,000 or 125.63%. A large portion of the increase is related to the boom failure on the stacker-reclaimer.

General and administration expenses remained stable for the first quarter of 2019. They were $1,025,000 compared to $1,030,000 for the same quarter of 2018, for a decrease of $5,000, or less than 1%.

Site utilities rose to $629,000 in the first quarter of 2019 and comprised 3.33% of total recurring expenses. This is up from $594,000 in the first quarter of 2018 and represents an increase of $35,000 or 5.09%.

The sub-lease adjustment of $377,000 is a result of the new accounting standard IFRS 16 Leases which was adopted at January 1st, 2019. The Company has sub-leased a portion of the land it leases from the PRPA to head-lease. As the PRPA head-lease is revalued for the change in CPI each lease year, the sub-lease is adjusted accordingly. As a majority of the lease is already prepaid, the adjustment is shown as an adjusting expense item. The sub-lease adjustment comprised of 1.99% of total expenses.

Cash Flows

Cash flows from operating activities amounted to $21,556,000 at the end of Q1 (2018: $20,697,000) for an increase of $859,000 or 4.15%. Please refer to Note 2 Basis of Presentation' for an explanation regarding a change in the presentation of the statement.

Planned capital project and maintenance activities resulted in a $4,985,000 (2018: 364,000) cash outlay to invest in property, plant and equipment during the first three months of 2019. No cash investments were made during Q1 2019; however, a GIC matured and was transferred to cash (2018: $0). Regular debt repayments were the only activity for cash flows used in terms or financing.

Outlook

On March 31, 2019, RTI had $196,031,000 working capital available, for an increase of $5,019,000 or 2.63% (December 31, 2018: $191,012,000) and a current ratio of 6.23 (December 31, 2018: 8.30). This decrease in the current ratio was primarily due to the introduction of the short term liability associated with the leased assets (for a more detailed discussion please see Note 3 IFRS 16 Leases). However Management is pleased to be able to maintain sufficient cash to discharge all liabilities and is moving forward with an investment strategy at the time of publishing this report.

Management continues to forecast moderate growth in volumes handled at the Terminal. Forecasted coal and petcoke shipments during the 2019 year are estimated at 11 million tonnes, with an increase to 15.3 million tonnes by 2021.

In August 2018, the Government of Canada announced the potential sale of RTI. Since then, the sale process has been progressing steadily, and a potential decision could be announced as early as Q3 2019.

Additional information relating to Ridley Terminals is available on RTI's website at www.rti.ca.

On behalf of the Directors,

(Signed) "Marc Dulude"
Marc Dulude
President and COO
May 31, 2019

Statement of Financial Position

(In thousands of Canadian dollars)

	Note	March 31 2019	December 31 2018
		$	$
ASSETS			
Current assets			
Cash		**207,717**	174,680
Short-term investments		**-**	20,492
Accounts receivable	5	**17,572**	14,058
Inventory	7	**7,406**	7,460
Prepaid expenses		**796**	488
		233,491	217,178
Non-current assets			
Long-term investments		**2,500**	2,545
Leased Assets	13	**232,871**	-
Property, plant and equipment	9	**247,674**	243,795
Pension benefit asset	8	**244**	1,526
		483,289	247,866
		716,780	465,044
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	6	**19,245**	13,680
Leased Assets - Short term Liability	13	**9,842**	
Current portion of long-term debt	10	**3,867**	5,779
Current portion of deferred sub-lease revenue		**-**	2,207
Current portion of deferred revenue		**4,506**	4,500
		37,460	26,166
Non-current liabilities			
Deferred revenue	11	**21,428**	42,475
Deferred sub-lease revenue		**-**	21,435
Asset retirement obligation	12	**7,001**	6,949
Pension Benefit Liability	8	**747**	613
Other liabilities		**35**	105
Lease Liabilities	13	**246,831**	-
		276,042	71,577
		313,502	97,743
SHAREHOLDER'S EQUITY			
Capital stock		**136,042**	136,042
Contributed surplus		**64,000**	64,000
Retained earnings		**203,236**	167,259
		403,278	367,301
		716,780	465,044

Approved on behalf of the Board:

(Signed) "Name"
Michael McPhie
Board Chair

(Signed) "Name"
Shiva Dean
Audit Committee Chair

Statement of Comprehensive Income

For the three months ended March 31 (In thousands of Canadian dollars)

	Note	2019	2018
		$	$
REVENUES			
Throughput		**25,003**	22,895
Shortfall penalties		**-**	-
Berthage, lines & despatch		**-**	-
Sub-lease		**-**	555
Other		**13**	40
		25,016	23,490
EXPENSES			
Salaries, wages and benefits		**6,043**	5,509
Lease rental	13	**-**	3,324
Depreciation	9	**5,871**	2,926
Contract and professional services		**3,387**	1,496
Equipment, operations & maintenance	9	**1,514**	671
General and administration		**1,025**	1,030
Site utilities		**629**	594
Sub-lease adjustment	13	**377**	-
Other		**52**	52
		18,898	**15,602**
NET OPERATING INCOME		**6,118**	7,888
Leased Asset Interest Income		**43**	-
Finance costs		**(33)**	(88)
Interest income		**653**	552
Leased asset financing costs	13	**(1,461)**	-
Net foreign exchange (loss) gain		**(39)**	11
NET INCOME		**5,281**	8,363
OTHER COMPREHENSIVE INCOME (LOSS)			
Defined benefit plan losses	7	**(1,359)**	(1,489)
TOTAL COMPREHENSIVE INCOME		**3,922**	6,874

The accompanying notes are an integral part of these condensed financial statements.

Statement of Changes in Equity

For the three months ended March 31 (In thousands of Canadian dollars)

		Capital Stock	Contributed Surplus	Accumulated Retained Earnings	Total
		$	$	$	$
Balance at January 1, 2018		136,042	64,000	122,985	323,027
Impact of change in Accounting Policy		-	-	(2,896)	(2,896)
Adjusted balance at January 1, 2018		136,042	64,000	120,089	320,131
Total comprehensive Income					
Net income		-	-	49,797	49,797
Defined benefit plan remeasurement loss		-	-	(2,627)	(2,627)
Total comprehensive income for the year		-	-	47,170	47,170
Balance at December 31, 2018		136,042	64,000	167,259	367,301
Balance at January 1, 2019		136,042	64,000	167,259	367,301
Impact of change in Accounting Policy	3	-	-	32,055	32,055
Adjusted balance at January 1, 2019		136,042	64,000	199,314	399,356
Total comprehensive income for the period					
Net income		-	-	5,281	5,281
Defined benefit plan remeasurement gain		-	-	(1,359)	(1,359)
Total comprehensive income for the period		-	-	3,922	3,922
Balance at March 31, 2019		**136,042**	**64,000**	**203,236**	**403,278**

The accompanying notes are an integral part of these condensed financial statements.

Statement of Cash Flows

For the three months ended March 31 (In thousands of Canadian dollars)

	Note	**2018**	2019
		$	$
OPERATING ACTIVITIES			
Net Income		**5,281**	8,363
Adjustments for Income and Expenses not involving cash flows:			
Depreciation		**5,871**	2,926
Sub-lease adjustment	13	**377**	
Changes in Assets and Liabilities:			
Accounts Receivable		**6,528**	10,988
Inventory	17	**55**	(805)
Prepaids	16	**(308)**	116
Accounts Payable		**3,640**	1,245
Asset Retirement Obligation		**52**	52
Pension	9	**60**	121
Deferred Revenue			(2,309)
Cash flows from operating activities		**21,556**	20,697
INVESTING ACTIVITIES			
Property, Plant and Equipment acquisitions		**(4,985)**	(364)
Change in Short Term investments		**20,492**	-
Change in Long Term investments		**45**	-
Cash flows used in investing activities		**15,552**	(364)
FINANCING ACTIVITIES			
Repayment of long-term debt	12	**(1,912)**	(1,857)
Change in ROU / Leased assets		**(2,159)**	-
Cash flows used in financing activities		**(4,071)**	(1,857)
Net increase in cash		**33,037**	18,476
Cash, beginning of the year		**174,680**	126,611
Cash, end of the period		**207,717**	145,087

The accompanying notes are an integral part of these condensed financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 – Significant Changes in the Current Reporting Period

The financial position and performance of RTI was particularly affected by the following events and transactions during the three months ended March 31, 2019:

- With the adoption of IFRS 16 Leases, material adjustments have been made to leased assets, retained earnings and lease receivable opening balances. For more detailed information, please refer to Note 13: Leases.
- Short-term investments of $20M matured, and these were transferred to cash.

For a more detailed discussion about the Company's performance and financial position, refer to Management's Discussion & Analysis on pages 2 to 7 of the Q1 2019 Report

2 – Basis of Presentation

Statement of Compliance

These unaudited, condensed, consolidated, interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*. They include selected notes to explain events and transactions that are significant to understanding the changes in financial position and performance since the last annual financial statements, as at and for the year ended December 31, 2018.

These unaudited, condensed, interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Therefore, these interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018.

The financial statements were authorized for issue by the Board of Directors on May 31, 2019.

Functional Currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency. All tabular financial information presented in Canadian dollars has been rounded to the nearest thousand.

Reclassifications of Operating Cash Flows

In light of the current potential sale, the presentation of the Statement of Cash Flows has changed from the direct to the indirect method. This change has been implemented to be more comparable with industry standards and competitors. The reclassification of Operational Cash Flows is illustrated in the table below.

Line Item	Former Method Dec 31, 2018	Change	Current Method March 31, 2019
Cash receipts from customers	108,594	(108,594)	-
Cash received from insurance proceeds	5,000	(5,000)	-
Interest received	2,378	(2,378)	-
Cash paid for salaries, wages and benefits	(19,996)	19,996	-
Defined benefit & defined contribution plan	(3,459)	3,459	-
Cash paid to suppliers	(16,816)	16,816	-
Cash paid for lease rental	(13,986)	13,986	-
Depreciation	-	(5,871)	5,871
Sub-lease adjustment	-	(377)	377
Accounts Receivable	-	(60)	60
Inventory	-	(6,528)	6,528
Prepaids	-	(55)	55
Accounts Payable	-	308	(308)
Asset Retirement Obligation	-	(3,640)	3,640
Pension	-	(52)	52
Deferred Revenue	-	-	-
	61,715	**(77,990)**	**16,275**

Use of Estimates and Judgments

Preparing the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

Note 9. Estimated useful life of property, plant and equipment: Assumption and estimation uncertainty exists within the useful lives used. The actual useful lives of property, plant and equipment could vary significantly from these estimates.

Note 9. Determination of recoverable amount of property, plant and equipment: Assumptions and estimation uncertainty exist in the discount rate, inflation rate and cash flows used.

Note 12. Asset Retirement Obligation: Assumption and estimation uncertainty exists with the future undiscounted reclamation costs and the rates and timing used to discount these costs. The actual reclamation costs could vary significantly from these estimates.

Note 8. Pension benefits: Assumption and estimation uncertainty exists within the discount rate, life expectancy estimate, future salary increases and overtime as a percentage of base salary assumptions used. Actual rates could vary significantly from these estimates.

The significant judgments made in applying the Company's accounting policies include:

Note 7. Classification of critical spares in inventory: Significant judgments have been made to re-classify items from property, plant and equipment to inventory, based on determining the purpose of the items and the amount at which to transfer them into inventory.

Note 9. Determination of components and the method to be used to depreciate property, plant and equipment: Significant judgments have been made to partition components and select the most representative depreciation method to accurately reflect each component's value in use across its service life.

Note 11. Revenue recognition: Significant judgments have been made in determining when to apply customer shortfall penalties to future throughput revenue prior to adopting IFRS 15. Upon adopting IFRS 15, significant judgment has been applied in determining the nature of the Company's performance obligations and the appropriate progress measure to be used in recognizing revenue for them. For contracts with expected shortfall penalties, significant judgment has been applied in determining the estimated throughput volume over the term of the contract and the total expected contract consideration.

Note 13. Leases: Significant judgments have been made in determining that exercising the 20-year renewal option is not reasonably certain. The renewal option will be based on circumstances at the time, including the sub-lessee's interest in renewing the sub-lease and other commercial considerations.

Note 13. Recognition of deferred sub-lease revenue: Significant judgments have been made in determining the components of revenue, the allocation of consideration received, whether transactions are linked, whether the sub-lease renewal option is reasonably likely and the nature and timing of revenue recognition related to certain agreements.

Note 12. Asset Retirement Obligation: Significant judgments have been made in assessing that no liability should be recognized for the sub-lessee's assets on the sub-leased land due to the sub-lessee's contractual obligation, financial viability and the time remaining on the contract. Significant judgment has also been applied in determining that extension of the Prince Rupert Port Authority (PRPA) lease is not reasonably certain.

3 – Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

New Accounting Standards

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* which replaced IAS 17 *Leases* ("IAS 17") and several related interpretations. The new accounting policies, set out below, have been applied from January 1, 2019 and will be reflected in the financial statements as at and for the year ending December 31, 2019.

<u>IFRS 16 Leases ("IFRS 16")</u>

a) IFRS 16 – Impact of Adoption

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to recognize and measure leases on-balance sheet as right-of-use assets and liabilities for future payments. Lessor accounting remains largely unchanged, except for subleases, and it retains the finance and operating lease distinctions. The standard requires lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value.

The Company adopted IFRS 16, using the modified retrospective approach as follows: (a) on a retrospective basis, with the cumulative effect of the standard being recognized at the date of initial application (January 1, 2019), with no restatement of prior period financial statements, (b) applying IFRS 16 to contracts previously identified as leases under IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*, and (c) applying IFRS 16 only to contracts not fulfilled as of January 1, 2019.

The below table summarizes the impacts of adopting IFRS 16 for each individual line item on the Company's statement of financial position on the date of adoption. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed in the table cannot be recalculated from the numbers provided.

Statement of Financial Position (extract)	December 31, 2018 As originally presented	IFRS 16 Impact	January 1, 2019 Restated
(In thousands of Canadian dollars)	$	$	$
Current assets			
Lease receivable (ii)	–	10,042	10,042
Non-current assets			
Lease receivable (ii)	–	-	-
Right-of-use assets (i) (ii)	–	231,947	231,647
Total assets	**465,044**	**707,033**	**707,033**
Current liabilities			
Accounts payable and other liabilities (i)	13,680	(5,599)	(7,428)
Current portion of deferred sub-lease revenue (ii)	2,207	(2,207)	–
Current portion of lease liabilities (i)	–	7,819	7,819
Non-current liabilities			
Deferred sub-lease revenue (ii)	42,475	(42,475)	–
Lease liabilities (i)	–	252,396	252,396
Total liabilities	**97,743**	**307,677**	**307,677**
Accumulated retained earnings (ii)	167,259	32,055	199,314
Total shareholder's equity	**367,301**	**399,356**	**399,356**
Total liabilities and shareholder's equity	**465,044**	**707,033**	**707,033**

(i) Leases – lessee

The Company leases land from the PRPA for its terminal facility. The thirty-year lease term expires on March 31, 2039 and has a renewal option for an additional 20 years to 2059. Under the lease agreement with the PRPA, the Company is required to make minimum annual rent payments based on a yearly minimum tonnes processed at a rate of $0.71 per tonne (Consumer Price Index [CPI] adjusted per year, based on the lease year ending March 31, 2019).

The Company has determined that exercise of its 20-year renewal option in 2039 is not reasonably certain and will be based on circumstances at the time, including the sub-lessee's interest in renewing the sub-lease (see (ii) below) and other commercial considerations.

The lease was classified as an operating lease under IAS 17. As at January 1, 2019, the Company had recorded a right-of-use asset, reversed accrued rent in current liabilities and recognized a lease liability related to the future lease payments associated with the PRPA lease.

The Company has other agreements, with remaining terms between 2 to 5 years for various right-of-use assets, including rental properties and storage that were classified as operating leases under IAS 17. As at January 1, 2019, the Company recorded right-of-use assets and offsetting lease liabilities for these leases.

The Company has applied the practical expedients allowing it to set the right-of use asset equal to the lease liability, as adjusted for lease prepayments and accruals. In addition, the Company has excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.

The Company's weighted average incremental borrowing rate applied to the PRPA lease liability at the date of initial application was 2.21%. All other leases use various incremental borrowing rates depending on the nature of the asset. The following table presents operating lease commitments disclosed in the financial statements for the year ended December 31, 2018 reconciled to the lease liabilities recognized at the date of initial application:

	PRPA Lease	**Leases Other**	**Total**
(In thousands of Canadian dollars)	$	$	$
2019	14,973	264	15,237
2020	16,008	261	16,269
2021	16,513	256	16,769
2022	16,843	197	17,040
2023	17,180	114	17,294
Subsequent years	308,852	–	308,852
Total (undiscounted) operating lease commitments disclosed as at December 31, 2018	390,369	1,091	391,460
Discounted using the Company's incremental borrowing rate at the date of initial application	(131,214)	(31)	(131,245)
Lease liabilities recognized as at January 1, 2019	**259,155**	**1,060**	**260,215**
Of which are:			
Current lease liabilities			7,819
Non-current lease liabilities			252,396

(ii) Sub-lease – Intermediate Lessor

The Company has sub-leased a portion of the land it leases from the PRPA to a sub-lessee. The sub-lease began in 2017 and expires in 2039, with an option to renew the sub-lease for an additional 20 years to 2059. The option to renew is at the discretion of the sub-lessee, subject to the Company's obligation to take commercially reasonable efforts to renew the head-lease if the sub-lessee wishes to renew the sub-lease. The Company has received advances from the sub-lessee that were recognized as deferred sub-lease revenue under IAS 17.

The sub-lease was classified as an operating lease under IAS 17. Under IFRS 16, the sub-lease represents a finance lease of a portion of the PRPA right-of-use asset. Therefore, the Company has recognized a lease receivable equal to its net investment in the lease, eliminated the deferred sub-lease revenue related to the lease payments received up front, derecognized the portion of the right-of-use asset related to the sub-leased land and recognized the difference as an adjustment to accumulated retained earnings on transition of $32,055,000.

b) IFRS 16 – Accounting Policies

Leases – Lessee

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In assessing whether the contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the supplier has substantive substitution rights related to asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

The Company leases land from the PRPA for its terminal facility and leases an office, storage facilities, vehicles and copiers. Leases are recognized as right-of-use assets and a corresponding lease liability at the date when the leased asset is available for use by the Company.

Right-of-use assets are initially measured at cost, which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of restoration costs. A right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the asset's useful life and the lease term. The right-of-use asset related to the land lease is depreciated over the lease term to March 31, 2039. In addition, a right-of-use asset is subsequently reduced by any impairment losses and adjusted for re-measurements of the lease liability related to changes in the CPI.

Lease liabilities are initially measured at the net present value of the following lease payments:

- fixed payments and
- variable lease payments that are based on the CPI.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used.

Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in the CPI used to determine those payments, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Payments associated with short-term leases (lease term of 12 months or less) and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in the statement of comprehensive income.

Sub-lease – Intermediate Lessor

The Company has sub-leased a portion of the land it leases from the PRPA to a sub-lessee. The sub-lease is classified, by reference to the right-of-use asset arising from the head-lease, as a finance lease because it transfers substantially all of the risks and rewards resulting from ownership of the portion of the asset to the lessee. A lease receivable is recognized at an amount equal to the present value of the lease payments. The lease receivable is subsequently measured at amortized cost, using the effective interest rate method less any expected lifetime impairment losses measured under the simplified approach permitted by IFRS 9.

Current Accounting Policies

IFRS 9 – Financial Assets (“IFRS 9”)

The Company’s financial assets include:

- cash
- short-term and long-term investments
- accounts receivable, and
- lease receivable.

These financial assets are classified as amortized cost. The Company’s business model is to hold the assets to collect the contractual cash flows. The investments are comprised of fixed-term, guaranteed investments that provide guaranteed principal and interest payments on specified dates.

Measurement

At initial recognition, the Company measures its financial assets at fair value plus any transaction costs that are directly attributable to the acquisition of the financial asset. Cash is measured subsequent to initial recognition at amortized cost. The investments and accounts receivable are subsequently measured at amortized cost, using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statement of comprehensive income. The losses arising from impairment are recognized in net operating income or loss in the statement of comprehensive income.

Impairment

The Company recognizes loss allowances where the expected credit losses result from all possible default events over the expected life of a financial asset. For trade accounts receivable, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables (2018 - $0). For other accounts receivable and investments, at the reporting date, if the credit risk has increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses. Otherwise, if the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses (2018 - $0).

Derecognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset.

(i) Financial Liabilities

Classification

The Company's financial liabilities include:

- accounts payable and other liabilities,
- lease liability, and
- long-term debt.

These financial liabilities are classified as amortized cost.

Measurement

Financial liabilities are recognized initially at fair value and, in the case of long-term debt and payables, net of directly attributable transaction costs. After initial recognition, the long-term debt is subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in net operating income or loss in the statement of comprehensive income when liabilities are derecognized. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

(i) Throughput revenue

Throughput revenue, inclusive of shortfall penalties resulting from minimum guaranteed volumes, is earned for transferring customers' bulk materials from rail cars to ships. Throughput contracts generally represent a series of throughput obligations over a multi-year period. Throughput revenue is recognized over time, using a progress measure of tonnes handled (unloaded and loaded). Shortfall penalties are incurred if the customer does not meet the minimum guaranteed volumes.

Revenue is recognized as follows:

- For contracts where billing is expected to correspond directly with the value to the customer of the Company's performance completed to date, the Company applies the practical expedient, allowing it to recognize revenue when it has the right to invoice the customer.

    - For these contracts, should a customer incur a shortfall penalty and the contract allows the customer to apply the shortfall penalty to throughput charges in future years where the minimum volume requirement is exceeded, the shortfall penalty is recognized in deferred revenue. These shortfall penalties are recognized to revenue when they are applied, to reduce throughput charges, or when they cease to be recoverable by the customer.

- For contracts where billings are not expected to correspond with the value of performance completed to date, and regular shortfall payments are expected, revenue is recognized based on actual throughput volume, as a percentage of estimated total throughput volume over the term of the contract multiplied by the expected contract throughput consideration.

- Variable consideration is allocated to the specific shipment to which it relates, and revenue is recognized when the Company has the right to invoice:

    - Berthage is earned for docking and undocking ships at the Company's berth and is recognized as revenue when the service is performed.

    - Lines revenue is earned for securing ships to the Company's berth during ship loading and is recognized as revenue when the ships are secured.

    - Despatch earned is related to the throughput efficiency of a particular shipment, as an incentive payment for loading ships faster than the stipulated contract timeframe. It is recognized when the ship has completed loading.

    - Demurrage incurred is related to the throughput inefficiency of a particular shipment, when a ship's loading time exceeds the stipulated contract timeframe. It is recognized when the ship has completed loading.

    - Storage fees are periodic charges for requested increases to contracted stockyard volume, typically to facilitate the additional movement of volume to a specific shipment. The fees are recognized when the customer has storage volumes in excess of contractual limits.

- Customer deposits are payments made by customers in consideration for a contractual obligation of the Company to supply throughput capacity in future periods. These payments are initially recognized as deferred revenue (a contract liability) and are recognized as throughput revenue when the performance obligation under the contract is met.

Foreign Currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized in net income or loss before other comprehensive income.

Investments

Investments are comprised of fixed-term, guaranteed investments. These investments provide guaranteed principal and a rate of return for surplus cash balances not required for operational or other investment purposes.

Fair Value Measurement

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy explained above.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Preference share capital is classified as equity because it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

As the Government of Canada is the sole shareholder of the Company, government assistance received for repaying debt is recorded as contributed surplus.

Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and they are recognized net within gain or loss on asset disposal on the statement of comprehensive income.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net operating income or loss, as incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation of an asset commences when it is available for use.

Depreciation is recognized in net operating income or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. This approach most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The Terminal facility assets are depreciated on a straight-line basis up to 2039.

The estimated useful lives for all other asset classes are as follows:

- machinery and equipment — 5–10 years
- office equipment and furniture — 3–5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Government assistance for the Company's capital assets is deferred and amortized to income on the same basis as the related capital asset.

Impairment of Non-Financial Assets

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets that cannot be tested individually are grouped together into CGUs, the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net operating income or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the property, plant and equipment in the unit on a *pro rata* basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Inventory

Warehouse inventory consists of supplies, consumables and repair parts. Inventory is initially recognized at the cost incurred to acquire it, and it is subsequently measured at the lower of weighted average cost and net realizable value.

Employee Benefits

Defined Benefit Plans

The Company operates defined benefit pension plans, including a Registered Pension Plan and a Supplementary Pension Plan. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

The Registered Pension Plan requires contributions to be made to a separately administered fund.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognized immediately in the statement of financial position, with a corresponding debit or credit to other comprehensive income in the period in which they occur. Re-measurements are not reclassified to net income or loss in subsequent periods but are transferred directly to retained earnings within shareholder's equity.

Net interest is calculated by applying the rate used to discount the defined benefit obligation to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under salaries, wages and benefits in the statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income
- Administrative costs paid from plan assets

Defined Contribution Plan

The Company sponsors a Registered Pension Plan for all employees; the Registered Pension Plan has both a defined benefit component and a defined contribution component. The Company initiated the defined contribution component of the Registered Pension Plan in 2011 for new hires with an employment start date after January 31, 2011. Employees hired prior to January 31, 2011 remained in the defined benefit component of the Registered Pension Plan. During 2014, members of the defined contribution component were provided a one-time option to transfer to the defined benefit component of the Registered Pension Plan with past service retroactive to the date of plan membership.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net operating income or loss in the years during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the year in which the employees render the service are discounted to their present value.

Asset Retirement Obligation

The liability for an Asset Retirement Obligation is recognized upon acquisition of an asset for which there is a related Asset Retirement Obligation, when it is probable an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. 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 and a change in discount rate. The associated retirement costs are capitalized as part of the carrying amount of the capital asset and depreciated 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.

4 – Investments

The short-term investments, consisting of a GIC with a 1.3% rate of return, matured at a total value of $20,522,000 in February 2019 and are included in cash at March 31. The long-term investments consist of a 3-year GIC with no penalty for withdrawal and a 1.8% rate of return. They will mature in December 2020.

5 – Accounts Receivable

	March 31 2019	**December 31 2018**
(In thousands of Canadian dollars)	$	$
Trade	6,330	13,756
Allowance for doubtful accounts	(160)	(160)
Net trade receivable	6,170	13,596
Lease Receivable	10,080	-
Other	1,326	462
Total accounts receivable	17,576	14,058

The allowance for doubtful accounts is related to a receivable that is due from one customer and is more than a year past due. Other accounts receivable are recoverable GST and miscellaneous receivables.

6 – Accounts Payable

	March 31 2019	December 31 2018
(In thousands of Canadian dollars)	$	$
Lease rental	-	6,252
Payroll	2,807	3,853
Trade	16,016	2,811
Accrued	422	764
Total Accounts Payable	19,245	13,680

7 – Inventory

The amount expensed as a result of write-downs of inventory to net realizable value during the quarter and year-to-date period ended March 31 was $13,000 (2017: $2,400). The amount of inventory expensed during the quarter was $444,000 (2018: $395,000).

8 – Pension Benefits

Defined Contribution Pension Plan

The defined contribution plan expenses for the quarter and year-to-date ended March 31, 2019 were $105,500 (2018: $89,500).

Defined Benefit Pension Plan

The movement in the defined benefit obligation over the quarter is as follows:

	Registered Plan	Supplementary Plan	Registered Plan	Supplementary Plan
	$	$	$	$
(In thousands of Canadian dollars)	March 31 2019	March 31 2019	December 31 2018	December 31 2018
Defined benefit obligations, beginning of year	73,762	1,647	74,153	1,585
Current service costs	587	8	2,342	27
Past service costs	-	-	-	-
Interest expense	711	16	2,673	57
Benefits paid by the plan	(619)	(15)	(1,875)	(58)
Contributions by plan participants	169	-	474	-
Remeasurements				
- Effect of changes in demographic assumptions	-	-	-	-
- Effect of changes in financial assumptions	6,789	146	(3,343)	(72)
- Effect of experience adjustments	-	-	(662)	108
Defined benefit obligations, end of year	81,399	1,802	73,762	1,647

The movement in the fair value of plan assets over the quarter is as follows:

	Registered Plan	Supplementary Plan	Registered Plan	Supplementary Plan
	$	$	$	$
(In thousands of Canadian dollars)	March 31 2019	March 31 2019	December 31 2018	December 31 2018
Fair value of plan assets, beginning of year	75,288	1,034	77,539	1,019
Interest income	742	10	2,856	37
Contributions by the Company	554	-	2,987	100
Contributions by plan participants	169	-	474	-
Benefits paid by the plan	(619)	(15)	(1,875)	(58)
Administrative expenses paid from plan assets	(39)	(2)	(154)	(7)
Return on plan assets (excluding interest income)	5,548	28	(6,539)	(57)
Fair value of plan assets, end of period	81,643	1,055	75,288	1,034

The net (asset) liability in the statement of financial position is summarized below:

	Registered Plan	Supplementary Plan	Registered Plan	Supplementary Plan
	$	$	$	$
(In thousands of Canadian dollars)	March 31 2019	March 31 2019	December 31 2018	December 31 2018
Defined benefit obligations	81,399	1,802	73,762	1,647
Fair value of plan assets	(81,643)	(1,055)	(75,288)	(1,034)
Net liability (asset)	(244)	747	(1,526)	613

9 – Property, Plant and Equipment

	Terminal Facility	Enclosed Dry Bulk Storage	Wood Pellet Terminal	Machinery and Equipment	Office Equipment and Furniture	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at December 31, 2017	466,748	3,855	909	10,718	2,839	485,069
Additions	6,669	-	-	64	110	6,843
Disposals	(516)	-	(909)	(294)	-	(1,719)
Balance at December 31, 2018	472,901	3,855	-	10,488	2,949	490,193
Additions	6,762	-	-	73	-	6,835
Disposals	-	-	-	-	-	-
Balance at March 31, 2019	479,663	3,855	-	10,561	2,949	497,028
Accumulated Depreciation and Impairment Losses						
Balance at December 31, 2017	221,476	-	909	6,934	2,620	231,939
Depreciation for the year	11,018	3,855	-	728	61	15,662
Disposals	-	-	(909)	(294)	-	(1,203)
Balance at December 31, 2018	232,494	3,855	-	7,368	2,681	246,398
Depreciation for the year-to-date	2,754	-	-	195	7	2,956
Disposals	-	-	-	-	-	-
Balance at March 31, 2019	235,248	3,855	-	7,563	2,688	249,354
Carrying Amounts						
At December 31, 2018	240,407	-	-	3,120	268	243,795
At March 31, 2019	244,415	-	-	2,998	261	247,674

During the period:

- There were no major changes in property, plant and equipment.
- Depreciation was $2,754,000 (2018: $2,926,000).
- The Company recognized $6,835,000 (2018: $342,000) of additional expenditures in the amount of Terminal Facility assets from construction activity.

10 – Long-Term Debt

As at March 31, 2019, the estimated principal repayments on outstanding long-term debt were as follows:

(In thousands of Canadian dollars)	**$**
2019	3,867
Total	3,867

Long-term debt will be extinguished as of August 3, 2019.

11 – Deferred Revenue

	2019 Opening	2019 Additions	2019 Recognized to Revenue	2019 Reductions	March 31 Ending
(In thousands of Canadian dollars)	$	$	$	$	$
Deferred Revenue	25,935	-	-	-	25,935
	25,935	-	-	-	25,935

12 – Asset Retirement Obligation

	March 31 2019	**December 31 2018**
(In thousands of Canadian dollars)	$	$
Balance, beginning of year	6,949	6,869
Reclass to deferred revenue	-	(132)
Accretion expense	52	212
Balance, end of year	7,001	6,949

During the quarter, there were no changes in estimates or assumptions relating to the Asset Retirement Obligation.

13 – Leases

Lessee

The Company leases land from the PRPA for its terminal facility. The original 25-year lease expired on March 31, 2009. The Company and the PRPA entered into a further 30-year term effective April 1, 2009 with an option to renew the lease for an additional 20 years to 2059. Potential cash flows have not been included in the lease liability because it is not reasonably certain that the Company will renew the lease beyond 2039.

Under the lease agreement with the PRPA, the Company is required to make minimum annual rent payments based on the yearly minimum tonnes processed at a rate of 71 cents per tonne (CPI adjusted per year based on the lease year ending March 31). For the Lease year ending March 31, 2019, the Company is required to make a minimum rent payment of $14,216,000 based on a stated minimum of 20,000,000 tonnes of material processed.

The stated minimum tonnes processed during the fiscal year are as follows:

(In tonnes)	
2019	20,750,000
2020	21,750,000
2021	22,000,000
2022	22,000,000
2023	22,000,000
Subsequent years	22,000,000

The future increases in stated minimum tonnes processed will result in an increase in the minimum annual rent as detailed in the table below.

The Company carries obligations under other lease arrangements that serve either administrative or operational requirements. These have remaining lease terms ranging from 2–5 years.

Future lease payments associated with lease liabilities at March 31, 2019 are as follows:

(In thousands of Canadian dollars)	**$**
2019	11,695
2020	16,269
2021	16,769
2022	17,040
2023	17,294
Subsequent years	308,852
Interest Expense / Discount	(131,245)
Total	256,673

Right-of-use assets include the following:

	Land	**Buildings**	**Other**	**Total**
(In thousands of Canadian dollars)	$	$	$	$
Carrying amount Balance at January 1, 2019	230,887	492	568	231,947
Additions	4,216	-	-	4,216
Less: Depreciation	3,228	34	30	3,292
Carrying amount at March 31, 2019	**231,875**	**458**	**538**	**232,871**

Cash outflows for leases for the 3 months ended March 31, 2019 amounted to $9,702,000. Short-term lease payments for the 3 months ended March 31, 2019 amounted to $141,000.

(In thousands of Canadian dollars)	3-months ended March 31, 2019
Short-term leases	$104
Variable lease payments	$37
Total lease rental expense	*$141*

Total lease rental expense is included in the Equipment line items in the income statement.

Finance Lease as Lessor

The Company has sub-leased a portion of the land it leases from the PRPA to a sub-lessee. The sub-lessee intends to construct, operate and own a propane export facility on this land. The sub-lease began in 2017 and expires in 2039, with an option to renew the sub-lease for an additional 20 years to 2059. The option to renew is at the discretion of the sub-lessee.

In accordance with the sub-lease, the Company received consideration totalling $48,677,859 as at March 31, 2019 (as at December 31, 2018: $48,677,859). A further $10,000,000 amount is due upon the commencement of the sub-lessee's facility operation, which is expected in Q2 2019. The total amount, all related to the initial lease term, is $58,677,859.

Under the terms of the sub-lease agreement, the sub-lessee is required to remediate the sub-leased land to the condition the sub-leased land was in at the commencement of the sub-lease. Refer to Note 14 – Asset Retirement Obligation for further information.

14 – Related Parties

Government of Canada

The Company is related to all Government of Canada departments, agencies and Crown corporations. The lease agreement with the PRPA (Note 13) is a related party transaction.

Key Management Compensation

The compensation for key management, which includes the Company's directors and current President and COO, in respect of employee services is as follows:

	March 31 2019	March 31 2018
(In thousands of Canadian dollars)	$	$
Wages, bonus and short-term benefits	165	149
Post-employment benefits	10	10
	175	159

Each of the Company's directors is appointed to office by the Governor in Council. Each appointment contains an Order in Council for authority to pay, which establishes an annual retainer and per diem rate. The President and COO is appointed by the Company's Board of Directors, who authorize compensation and benefits.

DIRECTORY

Directors

Liza Aboud
Businessperson
Burnaby, BC

Shiva Dean*
Businessperson
St. Albert, AB

Melanie MacKay
Businessperson
Richmond, BC

Catherine Wade
Businessperson
Delta, BC

Corporate Secretary

Rebecca Rock
Vancouver, BC

Officers

Michael McPhie
Chairman

Marc Dulude
President & COO

Senior Management

Dennis Blake
Senior Manager

Cordell Dixon, CPA,CMA
VP Finance

* Chair of Audit Committee

Legal Counsel
Borden Ladner Gervais
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