SEPTEMBER 30, 2017

RIDLEY TERMINALS INC.

2017 Q3 REPORT

Table of Contents

MANAGEMENT'S DISCUSSION & ANALYSIS 2

- Forward-looking Statements 2
- Summary 2
- Operational Performance 3
- Cash Flows 6
- Outlook 7

Governance 8

FINANCIAL STATEMENTS 9

- Statement of Management Responsibility 9
- Statement of Financial Position 10
- Statement of Comprehensive Income 11
- Statement of Comprehensive Income 12
- Statement of Changes in Equity 13
- Statement of Changes in Equity 14
- Statement of Cash Flows 15

NOTES TO THE FINANCIAL STATEMENTS 16

- 1 – Governing Statutes and Nature of Operations 16
- 2 – Going Concern 16
- 3 – Basis of Presentation 16
- 4 – Significant Accounting Policies 17
- 5 – Cash and Cash Equivalents 19
- 6 – Investments 19
- 7 – Accounts Receivable 19
- 8 – Inventory 20
- 9 – Prepaid Expenses 20
- 10 – Pension Benefits 20
- 11 – Property, Plant and Equipment 25
- 12 – Accounts Payable and Other Liabilities 26
- 13 – Long-Term Debt 26
- 14 – Deferred Revenue 26
- 15 – Asset Retirement Obligation 27
- 16 – Capital Stock and Contributed Surplus 27
- 17 – Sub-lease 28
- 18 – Commitments 29
- 19 – Related Parties 30
- 20 – Financial Instrument Risk and Fair Value Disclosures 30
- 21 – Contingencies 32
- 22 – Capital Management 32

DIRECTORY 34

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.

Summary

Ridley Terminals Inc. (RTI) continued to realize significant growth through 2017, as demand for metallurgical coal and petroleum coke products strengthened. Thermal shipments experienced a slight decrease on a year over year basis, but the combined shipments through the first nine months of 2017 were 5,634,000 tonnes, for an increase in shipments of 3,175,000 tonnes or 129.12% compared to the same period in 2016. This resulted in a year to date net operating profit of $14,088,000, compared to a loss of $15,173,000 to end September 2016. A turnaround of $29,261,000 on a period-to-period comparison.

RTI's rail unloading volumes increased in the third quarter of 2017 by 153.71% or 1,285,000 tonnes when compared to 2016 for a total of 2,121,000 tonnes unloaded (2016: 836,000 tonnes). Ship-loading volumes increased by 222.54% or 1,471,000 tonnes during the third quarter of 2017 for a total of 2,132,000 tonnes loaded (2016: 661,000 tonnes).

Net operating profit for the third quarter of 2017 was $8,157,000 (2016: $13,885,000 Loss), for an increase of $22,042,000 or 158.75% compared with 2016.

The construction of the Ridley Island Propane Export Terminal (RIPET) continued during the third quarter and is slated for operations by early 2019. This is a result of a joint venture agreement between AltaGas and Vopak Development Canada Inc. (Vopak). RTI is providing a subleased footprint within RTI's current lease boundaries in order to facilitate the construction of infrastructure related to the unloading, storage and export of propane. AltaGas will manage this facility and oversea the loading of vessels from RTI's existing berth facility. Diversification of products shipped through RTI remains a long-term goal and by seeing this new operation move towards completion, that goal is being realized.

Further diversification efforts continue to look towards a myriad of Canadian commodities requiring an outlet to overseas markets. RTI's primary advantages over other West Coast terminals in North America are the existence of a deep-water berth capable of housing vessels up to 250,000 DWT, closer proximity to overseas markets, and the uncongested CN rail corridor servicing the region. RTI has additional capacity options at its availability and continues to explore the potential for further terminal utilization and development. Diversification efforts are not only being undertaken to better position RTI to weather fluctuating commodity cycles, but to also improve asset utilization by broadening the portfolio of products handled at RTI.

Operational Performance

Overview

The following table depicts select measures of comparative performance for the third quarter of 2017:

For the quarter ended September 30:

	2017	2016	Var ($)	Var (%)
Revenue (In 000's $CAD)	**21,744**	7,990	13,754	172.14%
Net operating profit (loss) (In 000's $CAD)	**8,588**	(13,885)	22,473	161.85%
Cash flow from operations (In 000's $CAD)	**7,095**	5,309	1,786	33.64%
Vessel throughput (In 000's of tonnes)	**2,132**	661	1,471	222.54%

Revenues

For the year to date period ended September 30:

	2017	2016	Var ($)	Var (%)
(In thousands of Canadian dollars)				
Throughput	**51,205**	25,211	25,994	103.11%
Shortfall penalties (Note 14)	**-**	8,717	(8,717)	-100.00%
Other	**1,424**	741	683	92.17%
Berthage, lines and despatch	**1,723**	604	1,119	185.26%
Sub-lease (Note 17)	**1,165**	-	1,165	100.00%
Total revenues	**55,517**	35,273	20,244	57.39%

Total revenues earned in the third quarter of 2017 were $21,313,000 (2016: $7,990,000) for an increase of $13,323,000 or 166%.

Throughput revenue in the third quarter of 2017 was $20,010,000 (2016: $7,720,000) for an increase of $12,290,000 or 159.20%. In the third quarter of 2017, the average throughput revenue per tonne of shipments decreased by $0.90 to $9.41, as opposed to $10.31 by the end of the third quarter in 2016. Higher overall volumes handled resulted in an increasing effect on throughput revenue of $14,214,000, this effect is counteracted by the decrease in average rates charged per tonne causing a decreasing effect of $2,355,000 in throughput revenue, netting to the overall change.

No shortfall penalties were recognized in revenue in the third quarter of 2017 (2016: $8,717,000). Shortfall penalties are charged to customers that do not achieve minimum annual contract volumes and are recognized as revenue if the shortfall is not recoverable in future periods. Shortfall fees received, but where contractual recovery is possible in a future period, are booked as deferred revenue. See Note 14 within the Notes to the Financial Statements.

Other revenue rose to $20,010,000 (2016: $7,720,000) resulting in a decrease of $12,290,000 or 159.20% over the same period in 2016. This is primarily due to a decrease in storage revenue earned from coal stored on site.

Berthage, lines and despatch revenue rose to $716,000 (2016: $153,000) for an increase of $563,000 or 367.97%, as a result of higher volumes and a greater number of vessels handled during the third quarter of 2017.

Sub-lease revenue rose to $544,000 during the third quarter. This new revenue stream is a result of the inception of AltaGas Ltd.'s sub-lease during the quarter and the recognition of payments made into revenue in pro-ration over the life of the sub-lease.

Coal volumes accounted for 75.57% of total terminal shipments in the third quarter of 2017, with petroleum coke covering the balance at 24.43%. A total of 25 vessels loaded product at RTI during the third quarter of 2017 compared to 9 vessels in the same period in 2016. Average vessel cargo volumes were 85,000 tonnes for an increase of 12,000 tonnes compared to the same quarter in 2016.

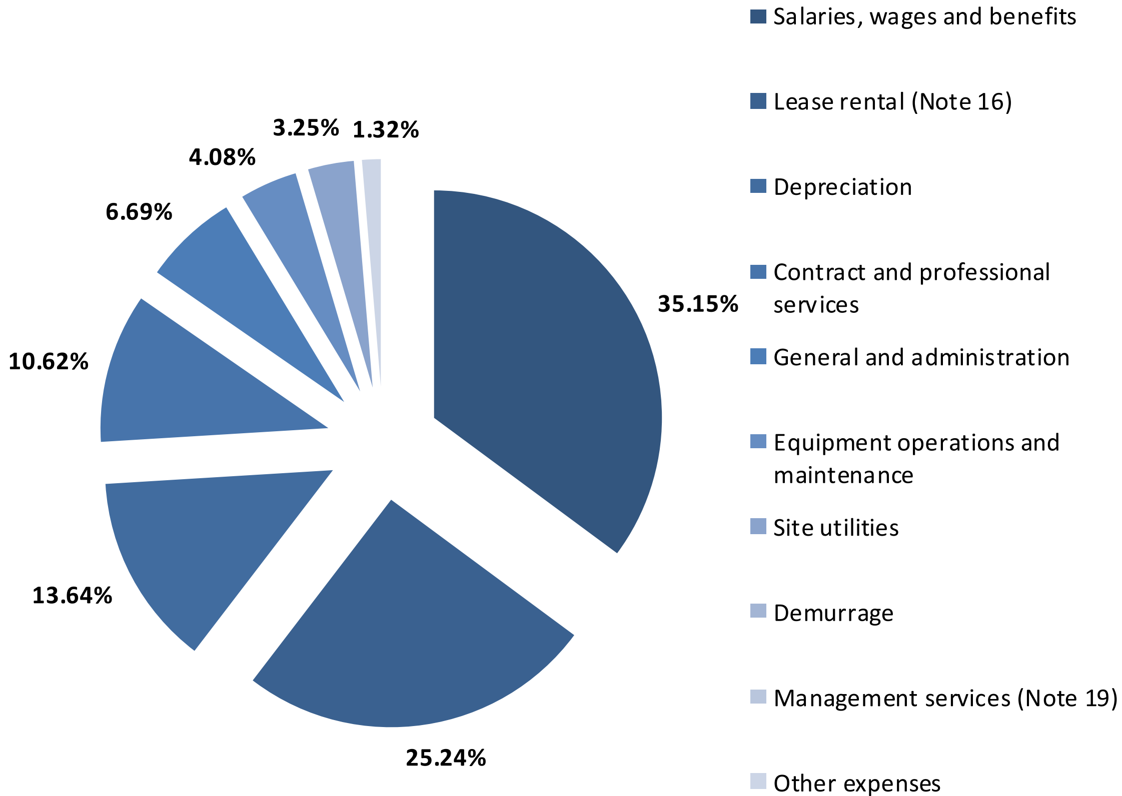
Operating Expenses

For the quarter ended September 30:

	2017	2016	Var ($)	Var (%)
(In thousands of Canadian dollars)				
Salaries, wages and benefits	**4,624**	3,918	706	18.02%
Lease rental (Note 18)	**3,321**	3,102	219	7.06%
Depreciation (Note 11)	**1,795**	1,788	7	0.39%
Contract and professional services	**1,397**	10,966	(9,569)	-87.26%
General and administration	**880**	846	34	4.02%
Equipment operations and maintenance	**537**	645	(108)	-16.74%
Site utilities	**428**	303	125	41.25%
Demurrage	**-**	3	(3)	-100.00%
Management services (Note 19)	**-**	81	(81)	-100.00%
Other expenses	**174**	223	(49)	-21.97%
Total operating expenses	**13,156**	**21,875**	(8,719)	-39.86%

Expenses during the third quarter of 2017 totaled $13,156,000 (2016: $21,875,000) for of $8,719,000 or 39.86% over the prior year's third quarter.

The following chart and summaries depict the proportion of management's key operating expenditures, for the third quarter of 2017:



Salaries, wages and benefits

Salaries, wages and benefits rose to $4,624,000 from $3,918,000 in the same quarter of 2016, for an increase of $706,000 or 18.02%. Despite increased attrition at the terminal, this effect has been counteracted by increases in overtime due to increased volumes handled. In the third quarter of 2017, salaries, wages and benefits comprised 35.15% of total expenses.

Lease rental

Lease rental expenses during the third quarter of 2017 were $3,321,000 compared to $3,102,000 in the third quarter of 2016, for an increase of $219,000 or 7.06%. RTI's lease agreement with the Prince Rupert Port Authority is linked to throughput volumes at the terminal. However, minimum volume guarantees require the Company to make minimum payments at a higher threshold than the Terminal's 2017 throughput volumes (Note 18). In the third quarter of 2017, lease rental expenses comprised 25.24% of total recurring expenses.

Depreciation

Depreciation expenses rose to $1,795,000 from $1,788,000 in the same quarter of 2016, for an increase of $7,000 or 0.39%. This increase was a result of increased depreciation on new additions to property, plant and equipment. In the third quarter of 2017, depreciation expense comprised 13.64% of total recurring expenses.

Contract and professional services

Contract and professional services fell to $1,397,000 from $10,966,000 in the same quarter of 2016, for a decrease of $9,569,000 or 87.26%. Typically, a result of continued commercial and diversification initiatives, outlays in regards to professional services vary from year to year. In the third quarter of 2017, contract and professional service expenses comprised 10.62% of total expenses.

General and administration

General and administration expenses for the third quarter of 2017 were $880,000 compared to $846,000 in the same quarter of 2016, for an increase of $34,000 or 4.02%. The general and administration expense during the period varied in tandem with the increase in throughput revenue experienced in the third quarter. In the third quarter of 2017, general and administration comprised 6.69% of total recurring expenses.

Equipment, operations and maintenance

Equipment, operations and maintenance expenses fell to $537,000 from $645,000 in the third quarter of 2016, for a decrease of $108,000 or 16.74%. Increases in equipment, operations and maintenance expenses were a direct result of increases in overall throughput experienced in 2017 coupled with key belt-repair maintenance costs, in comparison with the prior year. In the third quarter of 2017, equipment, operations and maintenance expenses comprised 4.08% of total recurring expenses.

Site utilities

Site utilities rose to $428,000 from $303,000 in the third quarter of 2016, for an increase of $125,000 or 41.25%. Increases in site utilities were a result of increased throughput during 2017, causing higher consumption at the terminal. In the third quarter of 2017, site utilities expenses comprised 3.25% of total recurring expenses.

Cash Flows

Cash flows from operating activities rose in the third quarter of 2017 to $43,581,000 (2016: $6,555,000) for an increase of $37,026,000 or 564.85%. This increase is driven by higher terminal throughput in 2017 and increased revenue from sub-lease (Note 17).

Cash flows used in investing activities rose to an outlay of $20,699,000 (2016: an outlay of $12,943,000) for an increase of $7,756,000 in outlays or 59.92% over the third quarter of 2016.

A significant portion of RTI's fixed term investments matured and were converted to cash during 2016 (Note 5). Management reinvested these cash proceeds in the third quarter of 2017.

Cash flows used in financing activities rose to $3,892,000 (2016: $3,889,000) for an increase of $3,000 or 0.08% over the third quarter of 2016. No additional financing was drawn and regular repayments were made with a slight reduction in interest on lower principal.

Outlook

At September 30, 2017, RTI had working capital available of $111,995,000 (December 31, 2016: $97,552,000) for an increase of $14,443,000 or 14.81% and a current ratio of 5.89 (December 31, 2016: 4.98). This increase in working capital was due to mainly to an increase in sublease payments, increased accounts payable, decreases in cash from reinvestment in long-term investments, and decreases in accounts receivable. Despite this increase, the continued strength of these performance measures across the third quarter of 2017 continues to exemplify the strong cash management practices currently employed at RTI to maintain sufficient cash to discharge all liabilities. Shipments for coal and petroleum coke in 2017 have already outpaced 2016, with expectations for an increase of at least 75%.

The Ridley Island Propane Export Terminal (RIPET) continued construction during Q3 of 2017 with the expectation that the facility will be in operation by early 2019. RIPET is permitted to handle 1.2 million tonnes of product annually and is situated on lands subleased from RTI and will operate independently. RTI will assist with the arrival and departure of LPG Railcars and Vessels.

Efforts beyond this commodity continue to be explored as RTI continues its agenda to become a multi-user and multi-commodity export terminal for bulk products produced in North America.
As always, management continues to strive for greater efficiency, growth, and productivity. It is with continued confidence that we present RTI's 2017 Third Quarter Financial Report.

Governance

The Articles of Incorporation state that Ridley Terminal Inc.'s (RTI's) activities must be in compliance with the requirements of Part X of the *Financial Administration Act* (R.S.C. c. F-11). The by-laws provide for a Board of Directors (Board) consisting of from 3 to 7 members; and a minimum of 4 meetings of the Board each year. Michael McPhie was appointed as Chairman of RTI's Board on September 13th, 2017. The Board has maintained the appointment of an Audit Committee and has also created several vehicles to strengthen overall governance and to ensure more effective oversight and accountability.

RTI's management team, led by Marc Dulude, President and COO, is responsible for the day to day activities at RTI, while working under the stewardship of the Board.

Emphasis has continued to be placed on avoidance of all unsafe practices, support of various community events and charities continue, and RTI stakeholders have shown increased support for RTI's financial self-sufficiency.

FINANCIAL STATEMENTS

Statement of Management Responsibility

The accompanying financial statements of Ridley Terminals Inc. (the Company), 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 International Financial Reporting Standards (IFRS). 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 control designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide relevant and reliable financial information.

The Board of Directors of the Company is responsible for ensuring that management fulfills 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 his report is included with these financial statements.

Signed M. Dulude
President & COO

Signed C. Dixon
Controller

November 3rd, 2017

Statement of Financial Position

As at (In thousands of Canadian dollars)

	September 30 2017	December 31 2016
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	**120,200**	76,080
Short-term investments (Note 6)	**-**	20,475
Accounts receivable (Note 7)	**7,116**	18,171
Inventory (Note 8)	**6,640**	7,045
Prepaid expenses (Note 9)	**925**	311
	134,881	122,082
Non-current assets		
Long-term investments (Note 6)	**20,167**	-
Pension benefit asset (Note 10)	**3,991**	3,250
Property, plant and equipment (Note 11)	**165,383**	169,797
	189,541	173,047
	324,422	295,129
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (Note 12)	**7,866**	10,813
Current portion of long-term debt (Note 13)	**7,453**	7,291
Current portion of deferred revenue (Note 14)	**7,567**	6,426
	22,886	24,530
Non-current liabilities		
Other liabilities	**106**	317
Long-term debt (Note 13)	**7,677**	13,287
Asset retirement obligation (Note 15)	**7,360**	7,199
Deferred revenue (Note 14)	**70,136**	48,117
	85,279	68,920
	108,165	93,450
SHAREHOLDER'S EQUITY		
Capital stock (Note 16)	**136,042**	136,042
Contributed surplus (Note 16)	**64,000**	64,000
Accumulated retained earnings	**16,215**	1,637
	216,257	201,679
	324,422	295,129

Commitments (Note 18), Contingencies (Note 21)

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

Statement of Comprehensive Income

For the year-to-date period ended September 30 (In thousands of Canadian dollars)

	2017	2016
	$	$
REVENUES		
Throughput	**51,205**	25,211
Shortfall penalties (Note 14)	**-**	5,400
Berthage, lines and despatch	**1,723**	604
Other	**1,877**	4,058
Sub-lease (Note 17)	**712**	-
	55,517	35,273
EXPENSES		
Salaries, wages and benefits	**14,297**	13,102
Lease rental (Note 18)	**9,749**	9,098
Depreciation (Note 11)	**5,419**	5,366
Contract and professional services	**4,405**	13,674
Equipment, operations and maintenance	**2,616**	2,068
General and administration	**2,843**	2,416
Site utilities	**1,492**	1,006
Finance costs	**387**	548
Other	**160**	302
Demurrage	**50**	20
Management services (Note 19)	**11**	252
	41,429	50,446
NET OPERATING PROFIT (LOSS)	**14,088**	(15,173)
Interest income	**968**	824
Net foreign exchange loss	**(61)**	(610)
NET INCOME (LOSS) BEFORE OTHER COMPREHENSIVE INCOME	**14,995**	(14,959)
OTHER COMPREHENSIVE LOSS		
(Not to be reclassified to comprehensive income in subsequent periods)		
Defined benefit plan actuarial losses (Note 10)	**(416)**	(5,977)
TOTAL COMPREHENSIVE LOSS	**14,579**	(20,936)

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

Statement of Comprehensive Income

For the quarter ended September 30 (In thousands of Canadian dollars)

	$	$
REVENUES		
Throughput revenue	**20,010**	7,720
Berthage, lines & despatch	**716**	153
Other revenue	**112**	117
Sub-lease (Note 17)	**906**	-
Shortfall penalties (Note 14)	**-**	3,317
	21,744	7,990
EXPENSES		
Salaries, wages and benefits	**4,624**	3,918
Lease rental (Note 18)	**3,321**	3,102
Depreciation (Note 11)	**1,795**	1,788
Contract and professional services	**1,397**	10,966
General and administration	**880**	846
Equipment operations and maintenance	**537**	645
Site utilities	**428**	303
Demurrage	**-**	3
Management services (Note 19)	**-**	81
Other expenses	**174**	223
	13,156	21,875
NET OPERATING PROFIT (LOSS)	**8,588**	(13,885)
Loss on asset disposal	**-**	-
Net foreign exchange gain	**(31)**	4
Interest income	**370**	238
NET LOSS BEFORE OTHER COMPREHENSIVE INCOME	**8,927**	(16,213)
OTHER COMPREHENSIVE INCOME		
Defined benefit plan actuarial losses (Note 10)	**4,833**	(417)
TOTAL COMPREHENSIVE LOSS	**13,760**	(16,630)

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

Statement of Changes in Equity

For the year-to-date period ended September 30
(In thousands of Canadian dollars)

	Capital Stock	Contributed Surplus	Accumulated Retained Earnings	Total
	$	$	$	$
Balance at January 1, 2016	136,042	64,000	2,928	202,970
Total comprehensive loss				
Loss for the year	-	-	(14,959)	(14,959)
Defined benefit plan actuarial gains	-	-	(5,977)	(5,977)
Total comprehensive loss for the year	-	-	(20,936)	(20,936)
Balance at September 30, 2016	136,042	64,000	(18,008)	182,034
	$	$	$	$
Balance at January 1, 2017	136,042	64,000	1,636	201,678
Total comprehensive loss				
Loss for the year	-	-	14,995	14,995
Defined benefit plan actuarial gains	-	-	(416)	(416)
Total comprehensive loss for the year	-	-	14,579	14,579
Balance at September 30, 2017	**136,042**	**64,000**	**16,215**	**216,257**

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

Statement of Changes in Equity
For the quarter ended September 30
(In thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Accumulated Deficit	Total
	$	$	$	$
Balance at July 1, 2016	136,042	64,000	(4,694)	195,348
Total comprehensive loss				
Loss for the quarter	-	-	(16,213)	(16,213)
Defined benefit plan actuarial losses	-	-	(417)	(417)
Total comprehensive loss for the quarter	-	-	(16,630)	(16,630)
Balance at September 30, 2016	136,042	64,000	(21,324)	178,718
	$	$	$	$
Balance at July 1, 2017	136,042	64,000	2,886	202,928
Total comprehensive loss				
Loss for the quarter	-	-	8,496	8,496
Defined benefit plan actuarial losses	-	-	4,833	4,833
Total comprehensive loss for the quarter	-	-	13,329	13,329
Balance at September 30, 2017	**136,042**	**64,000**	**16,215**	**216,257**

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

Statement of Cash Flows

For the year-to-date period ended September 30
(In thousands of Canadian dollars)

	2017	2016
	$	$
OPERATING ACTIVITIES		
Cash receipts from customers	**64,680**	16,878
Cash receipts from sub-lessee (Note 17)	**25,000**	15,000
Interest received	**968**	586
Cash paid for salaries, wages and benefits	**(13,024)**	(7,791)
Defined benefit and defined contribution plan (Note 10)	**(2,874)**	(1,220)
Cash paid to suppliers	**(11,481)**	(6,781)
Cash paid for lease rental	**(12,593)**	(10,117)
Cash flows from operating activities	**50,676**	6,555
INVESTING ACTIVITIES		
Cash paid to purchase property, plant and equipment	**(966)**	(12,641)
Cash paid to purchase investments	**307**	(302)
Cash flows from (used in) investing activities	**(659)**	(12,943)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(5,447)**	(3,512)
Financing costs paid	**(387)**	(377)
Cash flows used in financing activities	**(5,834)**	(3,889)
Net increase (decrease) in cash and cash equivalents	**44,183**	(10,277)
Cash and cash equivalents, beginning of the year	**76,080**	67,552
Effect of exchange rate fluctuations on cash held	**(61)**	(729)
Cash and cash equivalents, end of the quarter (Note 5)	**120,202**	56,546

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

NOTES TO THE FINANCIAL STATEMENTS

(amounts in tables are in thousands of Canadian dollars)

1 – Governing Statutes and Nature of Operations

Ridley Terminals Inc. (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. The facility provides bulk commodity rail unloading, storage, and vessel loading services to a variety of North American coal producers. 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*, the Company 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.

The Company is domiciled in Canada. The address of the Company's principal place of business is 2110 Ridley Road, Prince Rupert, British Columbia V8J 4H3.

In July 2015, the Company was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Company's next corporate plan. The Company is in the process of updating its policies and will be providing guidelines and practices to ensure compliance with the directive. The Company expects to complete the process during 2017.

2 – Going Concern

In December 2012, the Company's shareholder announced its intention to sell the business. These financial statements have been prepared without making any assumptions as to the outcomes of the potential sale, and, as such, they do not contemplate any significant changes to the Company's existing activities.

3 – Basis of Presentation

Statement of Compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the President and COO on November 3rd, 2017.

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.

Use of Estimates and Judgments

The preparation of the unaudited interim 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.

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

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment relate to the determination of net recoverable value of assets, useful lives of plant and equipment, asset retirement obligations and measurement of defined benefit obligations.

4 – Significant Accounting Policies

The financial statements presented have been prepared using the significant accounting policies and methods consistent with those applied in the Annual Report for the year ended Dec 31st, 2016.

Accounting Standards Issued But Not Yet Effective

The Company is currently assessing the impact that the following standards will have on the financial statements. The impacts of the changes are not known at this time.

IFRS 9: Financial instruments

In July 2014, the IASB issued IFRS 9 - *Financial Instruments*, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected credit loss' impairment model and a substantially-reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier adoption is permitted. The Company has commenced a preliminary assessment of the potential impact of IFRS 9 on its financial statements and does not intend to early adopt the standard. The Company does not expect a significant impact from the adoption of IFRS 9.

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, which supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company has established an implementation plan and has commenced a preliminary assessment of the transition method and alternatives and the potential impacts of IFRS 15 on its financial statements. The Company anticipates the adoption of IFRS 15 to have an impact on the financial statements, however the extent of the anticipated impact is not known at this time. The Company does not intend to early adopt the standard.

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 - *Leases*, which supersedes IAS 17 - *Leases*. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on-balance sheet while lessor accounting remains largely unchanged and 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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted, but only if also applying IFRS 15 - *Revenue from Contracts with Customers*. The Company is currently evaluating the impact of IFRS 16 on its financial statements and does not intend to early adopt the standard. The Company anticipates the adoption of IFRS 16 to have an impact on the financial statements, however the extent of the anticipated impact is not known at this time.

Amendments to IAS 7 – Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 - *Statement of Cash Flows.* The amendments require disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments to IAS 7 are effective prospectively for annual periods beginning on or after January 1, 2017 with earlier adoption permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to IAS 7 to have a material impact on its financial statements.

5 – Cash and Cash Equivalents

(In thousands of Canadian dollars)	September 30 2017 $	December 31 2016 $
Cash	117,695	53,317
Term deposits	2,505	22,763
	120,200	76,080

The Company's exposure to market risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 20. Term deposits consist of a multi-term GIC with no penalty for withdrawal and a 3.65% rate of return, maturing in 2017, and a 30-day demand deposit account requiring 30-day notice before withdrawal but providing a higher yield than fully liquid savings accounts.

6 – Investments

(In thousands of Canadian dollars)	September 30 2017 $	December 31 2016 $
Short-term investments	-	20,475
Long-term investments	20,167	-
	20,167	20,475

The Company's exposure to market risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 20. Short-term investments consist of a 2-year GIC with a 1.75% rate of return, maturing in August of 2017.

7 – Accounts Receivable

(In thousands of Canadian dollars)	September 30 2017 $	December 31 2016 $
Trade	6,750	17,641
Allowance for doubtful accounts	(167)	(167)
Net trade receivable	6,583	17,474
Other	533	697
Total accounts receivable	7,116	18,171

The allowance for doubtful accounts is related to a receivable that is over a year past due and relates to one customer. Other accounts receivable consists of net recoverable GST and miscellaneous receivables.

8 – Inventory

The amount expensed as a result of write-downs of inventory to net realizable value during the quarter was $0 (2016: $0) and year-to-date period ended September 30, 2017 was $5,000 (2016: $0). The amount of inventory expensed during the quarter was $1,343,000 (2016: $696,000). The Company has pledged its inventory as security for its long-term debt (Note 13).

9 – Prepaid Expenses

	September 30 2017	December 31 2016
(In thousands of Canadian dollars)	$	$
Insurance	487	292
Other	438	19
	925	311

10 – Pension Benefits

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 a start date of employment 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.

The defined benefit component of the registered pension plan is funded by contributions from the Company and from plan members. Pension benefits are based on the member's length of service and final average earnings and are indexed at 3% per year after retirement. The defined contribution plan has a fixed employer contribution rate, with a variable matching component based on voluntary contributions from the employee.

The defined contribution plan expenses for the quarter ended September 30, 2017 were $234,000 (2016: $201,000).

Defined Benefit Pension Plan

The table below outlines the figures included in the financial statements:

(In thousands of Canadian dollars)	September 30 2017	December 31 2016
Pension benefit (asset) liability	(3,990)	(3,250)
Expenses included in net profit or loss before other comprehensive income	1,602	2,430
Remeasurement gains included in other comprehensive income	416	(4,326)

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

(In thousands of Canadian dollars)	September 30 2017	December 31 2016
Defined benefit obligations, beginning of year	67,674	62,765
Current service costs	1,623	2,281
Past service costs	-	-
Interest expense	2,030	2,606
Benefits paid by the plan	(1,437)	(1,533)
Contributions by plan participants	324	385
Remeasurements		
- Effect of changes in demographic assumptions	-	-
- Effect of changes in financial assumptions	1,301	1,793
- Effect of experience adjustments	-	(623)
Defined benefit obligations, end of year	71,515	67,674

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

(In thousands of Canadian dollars)	September 30 2017	December 31 2016
Fair value of plan assets, beginning of year	70,924	61,635
Interest income	2,169	2,624
Contributions by the Company	2,758	2,484
Contributions by plan participants	324	385
Benefits paid by the plan	(1,437)	(1,533)
Administrative expenses paid from plan assets	(118)	(167)
Return on plan assets (excluding interest income)	885	5,496
Fair value of plan assets, end of year	75,505	70,924

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

(In thousands of Canadian dollars)	September 30 2017	December 31 2016
Defined benefit obligations	71,515	67,674
Fair value of plan assets	(75,505)	(70,924)
Net (asset) liability	(3,990)	(3,250)

The components of the defined benefit cost included in net operating profit or loss (NP) and other comprehensive income (OCI) are summarized below:

(In thousands of Canadian dollars)	September 30 2017	December 31 2016
Current service cost	1,623	2,281
Past service cost	-	-
Net interest (income) expense	(139)	(18)
Administrative expenses paid from plan assets	118	167
Defined benefit cost included in NP	1,602	2,430
Remeasurements		
- Effect of changes in demographic assumptions	-	-
- Effect of changes in financial assumptions	1,301	1,793
- Effect of experience adjustments	-	(623)
- (Return) on plan assets (excluding interest income)	(885)	(5,496)
Defined benefit gain included in OCI	416	(4,326)

The net (asset) liability is reconciled as follows:

(In thousands of Canadian dollars)	September 30 2017	December 31 2016
Net liability, beginning of year	(3,250)	1,130
Defined benefit cost included in NP	1,602	2,430
Defined benefit (gain) included in OCI	416	(4,326)
Contributions by the Company	(2,758)	(2,484)
Net (asset) liability, end of year	(3,990)	(3,250)

Assumed mortality rates are in accordance with the private Canadian pensioners' mortality table issued by the Canadian Institute of Actuaries with mortality improvements under scale CPM-B.

Sensitivity Analysis:

The sensitivity of the defined benefit obligation to changes in significant assumptions is set out

below. The sensitivity analysis has been determined based on a method that extrapolates the impact of the defined benefit obligation as a result of reasonable changes in significant assumptions occurring at the end of the reporting period. There were no changes from the prior year in the methods and assumptions used in preparing the sensitivity analyses.

The table below summarizes the impact on the defined benefit obligation for the plan as a result of a change in the significant actuarial assumptions. For example, the impact of increasing the discount rate by 0.5% would be a reduction of 8.3% or $5,617,000, in the defined benefit obligation.

Significant Assumption	Change	Impact
Discount rate	+0.5%	-8.3%
	-0.5%	+9.5%
Future salary increases	+0.5%	+2.1%
	-0.5%	-1.9%
Overtime as a percentage of base salary	+5%	+1.8%
	-5%	-1.6%
Life expectancy	+ 1 year	+3.2%
	- 1 year	-3.2%

Actuarial Assumptions:

	September 30 2017	December 31 2016
Discount rate, beginning of year	4.05%	4.20%
Discount rate, end of year	3.85%	4.05%
Future salary increases	2.75%	2.75%
Overtime as a percentage of base salary	10.00%	10.00%

Asset mix:

(In thousands of Canadian dollars)	2017		2016	
Asset Mix	$ Amount	%	$ Amount	%
Cash & Equivalents	2,075	2.7%	2,990	4.2%
Canadian Equity	23,185	30.7%	22,092	31.1%
U.S. Equity	13,592	18.0%	13,300	18.8%
International Equity	9,511	12.6%	9,889	13.9%
Fixed Income	26,537	35.1%	22,087	31.1%
Fair Value of Plan Assets	75,498	100.0%	70,924	100.0%

All plan assets have a quoted market price in an active market.

Future cash flow:

The expected contributions to the plan for 2017 are $2,471,000. The weighted average duration of the defined benefit obligation is 18.5 years for 2017.

Risk analysis:

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility:

The defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Plan assets include a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing to volatility and risk in the short-term.

As the plan assets mature, the Company intends to reduce the level of risk by investing more in assets that better match the liabilities. The third stage of this process was completed in 2013 with the sale of a number of equity holdings and the purchase of a mixture of government and corporate bonds. The government bonds represent investments in Canadian and United States government securities only. The corporate bonds are global securities with emphasis on Canada and the United States.

However, the Company believes that due to the long-term nature of the defined benefit obligation, a level of continuing equity investment is an appropriate element of the Company's long-term strategy to manage the plan efficiently. See below for more details on the Company's asset-liability matching strategy.

Change in bond yields:

A decrease in corporate bond yields will increase the defined benefit obligation, although this will be partially offset by an increase in the value of the plan assets.

Inflation risk:

The majority of the pension plan's defined benefit obligation is linked to inflation, and higher inflation will lead to a higher obligation (although in most cases, caps on the level of inflationary increases are in place to protect the pension plan against extreme inflation). The majority of plan assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy:

The pension plan provides benefits to the life of each member, so increases in life expectancy will result in an increase in the defined benefit obligation. This is particularly significant when inflation increases because inflationary increases result in higher sensitivity to changes in life expectancy.

11 – Property, Plant and Equipment

	Terminal Facility	Sulphur Terminal	Enclosed Dry Bulk Storage (Note 21)	Wood Pellet Terminal	Machinery and Equipment	Office Equipment and Furniture	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Cost							
Balance at December 31, 2015	468,895	4,462	-	909	10,602	2,765	487,633
Additions	2,502	-	3,855	-	91	29	6,477
Transfers (Note 8)	(528)	-	-	-	-	-	-
Disposals	(4,994)	(4,462)	-	-	-	-	(9,456)
Balance at December 31, 2016	465,875	-	3,855	909	10,693	2,794	484,126
Additions	936	-	-	-	24	46	1,006
Disposals	-	-	-	-	-	-	-
Balance at September 30, 2017	466,811	-	3,855	909	10,717	2,840	485,132
Accumulated Depreciation and Impairment Losses							
Balance at December 31, 2015	298,555	3,882	-	909	7,154	2,465	312,965
Depreciation for the year	6,603	-	-	-	383	100	7,086
Disposals	(1,840)	(3,882)	-	-	-	-	(5,722)
Balance at December 31, 2016	303,318	-	-	909	7,537	2,565	314,329
Depreciation for the year-to-date	4,987	-	130	-	303		5,420
Disposals	-	-	-	-	-	-	-
Balance at September 30, 2017	308,305	-	130	909	7,840	2,565	319,749
Carrying Amounts							
At December 31, 2016	162,557	-	3,855	-	3,156	229	169,797
At September 30, 2017	158,506	-	3,725	-	2,877	275	165,383

Property, Plant and Equipment under Construction

During the quarter, the Company recognized $0 (2016: $92,000) of expenditures in the carrying amount of Terminal Facility assets from construction activity.

No depreciation related to property, plant and equipment not yet available for use has been recognized for the quarter.

12 – Accounts Payable and Other Liabilities

	September 30 2017	December 31 2016
(In thousands of Canadian dollars)	$	$
Trade	818	1,018
Accrued (Note 21)	577	247
Lease rental	4,497	7,341
Payroll	1,974	2,207
	7,866	10,813

13 – Long-Term Debt

The Company is required to make monthly blended payments of principal and interest at an annual interest rate of 2.946% on long-term debt. As at September 30, 2017, estimated principal repayments on outstanding long-term debt are as follows:

(In thousands of Canadian dollars)	$
2017	1,843
2018	7,508
2019	5,779
Total	15,130

At September 30, 2017, cash and cash equivalents (Note 5), accounts receivable (Note 7), inventory (Note 8), and property, plant and equipment (Note 11) with a cost of $192,234,000 are pledged as security under the credit facility arrangement related to the Company's long-term debt. If a default event occurs, the lender may declare all outstanding advances to be due and payable immediately and may take action to enforce its rights to the pledged assets to support repayment of the long-term debt.

14 – Deferred Revenue

	2017 Opening	2017 Additions	2017 Shortfall penalties recognized in revenue	2017 Reductions	2017 Ending
(In thousands of Canadian dollars)	$	$	$	$	$
Deposits	13,969	-	-	(589)	13,380
Shortfall penalties	17,568	-	-	-	17,568
Sub-lease	23,006	25,000	-	(1,251)	46,755
	54,543	25,000	-	(1,840)	77,703

	2016 Opening	2016 Additions	2016 Shortfall penalties recognized in revenue	2016 Reductions	2016 Ending
(In thousands of Canadian dollars)	$	$	$	$	$
Deposits	14,148	-	-	(179)	13,969
Shortfall penalties	22,063	14,093	(18,588)	-	17,568
Sub-lease	8,006	15,000	-	-	23,006
	44,217	29,093	(18,588)	(179)	54,543

15 – Asset Retirement Obligation

	September 30 2017	**December 31 2016**
(In thousands of Canadian dollars)	$	$
Balance, beginning of year	7,198	6,989
Accretion expense	162	210
Balance, end of quarter	7,360	7,199

Under the terms of the Company's land lease with the Prince Rupert Port Authority (Note 18), 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 aspects of the Company's terminal assets from the land.

Management estimates it would cost $9,054,000 (December 31, 2016: $9,009,000) to restore the site in accordance with the land lease at September 30, 2017. These estimated costs were inflated to the end of the base lease term in 2039 using an estimated inflation rate of 2% (December 31, 2016: 2%). The inflated cost amount was then discounted back to September 30, 2017 using a credit-adjusted risk-free rate of 3% (December 31, 2016: 3%), resulting in an increase in the asset retirement obligation of $0 (December 31, 2016: $0), plus $54,000 (December 31, 2016: $210,000) in accretion expense. The ultimate amount of future site restoration and removal costs to be incurred is uncertain.

16 – Capital Stock and Contributed Surplus

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:

	September 30 2017	December 31 2016
(In thousands of Canadian dollars)	$	$
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 $64,000,000. These funds have been recorded as contributed surplus in the shareholder's equity section of the statement of financial position.

17 – Sub-lease

The Company has sub-leased a portion of the land it leases from the Prince Rupert Port Authority (PRPA) (Note 18) to a sub-lessee. The sub-lessee intends to construct, operate and own a propane export facility on this land. The sub-lease commenced 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 has received up-front payments totaling $48,006,000 as at September 30, 2017 (Note 14) (as at December 31, 2016: $23,006,000). A further $10,000,000 is due upon the commencement of the sub-lessee's facility operation. The total amount, all related to the initial lease period, is $58,006,000.

The Company has recognized the amounts received as sub-lease deferred revenue (Note 14), and is recognizing revenue on a straight-line basis over the initial lease period. The expected amounts to be recognized in revenue over the term of the sub-lease are as follows:

(In thousands of Canadian dollars)	
2019	2,174
2020	2,427
2021	2,681
2022	2,681
2023	2,681
Subsequent years	43,568
Total	56,212

As of September 2017 year-to-date, $712,000 (2016: $0) was recognized in sub-lease revenue.

18 – Commitments

Lease Rental

The Company leases land from the Prince Rupert Port Authority (PRPA) for its terminal facility. The original twenty-five year lease expired on March 31, 2009. The Company and the PRPA entered into a further thirty year term effective April 1, 2009 with an option to renew the lease for an additional twenty years to 2059. The Company exercised additional expansion options on April 1, 2011 and again on September 11, 2013 that provide additional land for the terminal to increase its operating capacity.

Under the lease agreement with the PRPA, the Company is required to make minimum annual rent payments of $12,408,000 based on a stated minimum 19,000,000 tonnes of material processed at a rate of 65 cents per tonne, CPI adjusted, based on the lease year ended March 31st. In the event that tonnes processed by the Company in a year are less than the stated minimum, the excess portion of the minimum rent may be carried forward for not more than six years.

The stated minimum tonnes processed will increase as follows:

(In tonnes)	
2018	19,750,000
2019	20,750,000
2020	21,750,000
2021	22,000,000
2022	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.

For the quarter ended September 30, 2017, the Company made $3,102,000 (2016: $3,003,000) in lease payments to PRPA, out of $12,408,000 in minimum rent due for the contract year ending September 30, 2017 (2016: $11,575,000).

The Company agrees to pay a minimum rent fee as follows:

(In thousands of Canadian dollars)	$
2018	14,098
2019	15,108
2020	16,153
2021	16,416
2022	16,744
Subsequent years	324,207
Total	402,726

19 – 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 18) is a related party transaction.

Management Services

Effective January 1, 2016 a director resigned from the board and was contracted as Interim President and Chief Operating Officer (COO) under a short-term service agreement with the Company. The Interim President was replaced by a newly appointed President and COO in December of 2016, with the Interim President remaining under contract in a transitional role until February 28, 2017. Total compensation for the Interim President in 2017 was $11,000 (2016: $96,200).

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:

	2017	2016
(In thousands of Canadian dollars)	$	$
Wages, bonus and short-term benefits	356	63
Post-employment benefits	28	-
	384	63

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.

20 – Financial Instrument Risk and Fair Value Disclosures

At September 30, 2017, the Company is exposed to various risks associated with its financial instruments, which include market risk, liquidity risk and credit risk.

Market Risk

The Company is exposed 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's objectives, policies, and processes for managing and measuring market risk are as follows:

The market price of customer commodities has an indirect impact on the timing and volume of terminal throughput. As a result, fluctuations in commodity prices are regularly monitored by management using forecast models that estimate future movements in commodity prices. Where practicable, the revision of short and long-term operational strategies can occur to mitigate this risk. Risk mitigation tactics include the signing of long-term customer contracts that contain minimum throughput volume guarantees to insulate the Company from declines in throughput volumes that may result if commodity prices fall unexpectedly. A sensitivity analysis for this variable is not possible due to the complexity of the correlation between commodity prices and customer operations.

Foreign exchange rates have a direct impact on the value of payments received that are denominated in a foreign currency as well as the cost of payments to foreign suppliers. As a result, fluctuations in foreign exchange rates are regularly monitored by management via Bank of Canada rate publications and forecasts. Risk mitigation tactics include treasury management practices to ensure buffers for planned payments to suppliers allow for foreign exchange rate fluctuations.

Interest rate risk has a significant impact on the Company as a result of fluctuations in interest rates. Long-term debt (Note 13), cash equivalents (Note 5), and investments (Note 6) bear fixed interest rates. Fluctuations in interest rates are regularly monitored by management via Bank of Canada rate publications and forecasts. Risk mitigation tactics include the regular monitoring of alternative investment and debt instruments in the event that a change in the market interest rate provides more attractive alternatives.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. Management continually monitors its financial position to ensure that it has sufficient liquidity to discharge its obligations when due. At quarter end, cash and cash equivalents balances of $120,200,000 (2016: $76,080,000) are available to discharge current liabilities and non-current liabilities, excluding deferred revenue. Due to the amount of the Company's cash balances relative to its current and long-term liabilities, liquidity risk was not a significant concern at any of the dates presented on the statement of financial position.

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. The Company is exposed to credit risk through its cash and cash equivalents, investments and accounts receivable.

The carrying amounts of cash and cash equivalents, investments and accounts receivable represents the maximum credit risk exposure as at September 30, 2017.

The Company manages credit risk associated with cash and cash equivalents, short-term investments and long-term investments by dealing with reputable and high quality financial institutions.

The Company's exposure to accounts receivable credit risk is influenced by the profitability of coal mining companies, which is heavily impacted by the price of the coal. The Company monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. The Company considers credit quality of its accounts receivable to be moderate to high. As at September 30, 2017, there is a $0 reserve in respect of doubtful accounts (2016: $167,000).

There were no changes to the Company's exposure to market, liquidity or credit risk during the quarter, or to the Company's objectives, policies, and processes for managing or methods used to measure these risks.

Fair Value Disclosures

Cash and cash equivalents are measured subsequent to initial recognition at fair value and are categorized within Level 1 of the fair value hierarchy (Note 4).

The fair values of accounts receivable, and accounts payable and other liabilities approximate their carrying values because of the short maturity of these financial instruments.

The fair value of investments approximates its carrying value. The fair value is categorized within Level 2 of the fair value hierarchy (Note 4). The fair value has been determined by discounting expected future cash inflows using market rates for GIC's of the same maturity.

The fair value of long-term debt approximates its carrying value. This fair value disclosure is categorized within Level 2 of the fair value hierarchy (Note 4) and the fair value has been determined by discounting expected future repayments using market rates for debt with similar terms.

21 – 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 are not expected to have a material impact on the Company's financial position, results of operations or liquidity.

22 – Capital Management

The Company's capital is its equity, which comprises capital stock, contributed surplus and accumulated retained earnings (Note 16).

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 quarter ended September 30, 2017, 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.

The Company's Capital Oversight Committee monitors externally imposed capital requirements to adhere to budgetary constraints as outlined in the Company's five year operating and capital plans. Submitted budgets have been approved by the Minister of Transportation and are monitored regularly.

There were no changes to the Company's approach to capital management during the quarter.

DIRECTORY

Directors

David E.G. Bromley
Professional Engineer
West Vancouver, BC

Gillian Kirk
Businesswoman
Port Coquitlam, BC

Michael McPhie
Businessman
Vancouver, BC

Scott Shepherd*
Businessman
Vancouver, BC

* Chair of Audit Committee

Corporate Secretary

Sandra Knowler
Vancouver, BC

Officers

Michael McPhie
Chairman

Marc Dulude
President & COO

Senior Management

Dennis Blake
Senior Manager

Cordell Dixon, CPA,CMA
Controller

Corporate Affairs

Colin Metcalfe
VP of Corp. Affairs

Legal Counsel
BLG LLP
Vancouver, BC

External Auditors
The Office of the
Auditor General of Canada
Vancouver, BC

For further informantion please contact:

Cordell Dixon, CPA,CMA
Controller
Telephone 250 624-9511 x123
Facsimile 250 624-2389
E-mail cdixon@rti.ca

www.rti.ca

Or write to:
Ridley Terminals Inc.
P.O. Bag 8000
Prince Rupert, BC V8J 4H3