



BELLEDUNE...*Unlimited!*

2006 **ANNUAL REPORT**



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BELLEDUNE PORT AUTHORITY

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HUMAN RESOURCES & COMPENSATION

Chair: Claude Doucet
Nancy McKay
Harry H. Williamson
Ligouri Roy

AUDIT

Chair: Ligouri Roy
Albert Doucet
Léo Cormier

LAW & GOVERNANCE

Chair: Harry H. Williamson
Philip G. Evans
Albert Doucet

FINANCE

Chair: Nancy McKay
Philip G. Evans
Léo Cormier

BUSINESS DEVELOPMENT

Chair: Harry H. Williamson
Claude Doucet
Albert Doucet
Philip G. Evans

DONATION

Board: Claude Doucet



*From left to right – standing: Ligouri Roy, Nancy McKay, Léo Cormier, Philip G. Evans, and Albert Doucet
From left to right – sitting: Rayburn Doucett, Harry H. Williamson and Claude Doucet.*

MESSAGE FROM THE **CHAIRMAN** OF THE **BOARD OF DIRECTORS**



The year 2006 was our most profitable year ever and it was a year in which we embarked on a new pathway that will increase profits even more.

The major accomplishment of 2006 was the commissioning of the tank farm. Because of this strategic move we will see profits dramatically increase in 2007. This new cash flow will more than offset any loss that we will sustain if and when the Xstrata Smelter closes down as has been forecasted.

We have continued on a course set in 2005 of prudent fiscal management and the pursuit of selected projects where we see the greatest potential and chance of success.

Early in the year, we saw the fulfillment of a promise made to the port at its inception, the write off of 3.8 million dollars of debt. Taking this into account and our 1.0 million dollar profit in 2005 and our 1.2 million dollar profit in 2006, there has been a turn around on our balance sheet that is impressive by any standard.

Our new access road was inaugurated and while this is an improvement for traffic leaving the port, we still believe that improvements can be made for those accessing the port.

The port has participated in the Federal plan to upgrade security and improvements continue in this regard.

Most importantly the seeds have been sown for the development of new projects that, hopefully, I will be reporting on next year.

The future of the Port of Belledune is looking better with each passing day and this is in no small measure due to the extraordinary efforts of our President & CEO – Rayburn Doucett. His determination and drive and the relentless pursuit of contacts is paying off. Rayburn is supported by a dedicated staff who continue to work in a most efficient and cost effective manner, and as a Board we are most appreciative of this effort.

As Chairman I wish to thank our Board Members Claude Doucet (Vice-Chairman), Nancy McKay and Ligouri Roy for their outstanding input throughout the year and also welcome our new members Albert Doucet, Philip G. Evans and Léo Cormier (who rejoins us after an absence of a year and a half).

I look forward to working with all Board and Staff members in 2007 as we continue to steer a course that will be most beneficial to the port, our clients, our customers and the people of Northern New Brunswick.

A handwritten signature in black ink that reads "Harry H. Williamson". The signature is fluid and cursive, written in a professional style.

Harry H. Williamson
Chairman of the Board



A WORD FROM THE **PRESIDENT AND CEO**

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I am pleased to report that the Belledune Port Authority achieved a new *record for financial results* in 2006.

Net income reached a new record in 2006 at \$1.2 million, which represented an 18% increase over the previous record of \$1.0 million posted for 2005. The Belledune Port Authority was successful in reactivating and leasing the Tank Farm during the early part of the year which contributed significantly to the additional revenue and net income for 2006. The operation of the Tank Farm will provide for a further improvement in these financial benefits throughout 2007. Total cargo tonnage was 1.8 million tonnes, down from the 2.2 million tonnes recorded in 2005. Lower cargo activity was primarily due to less coal, coke and zinc concentrate cargo being handled at the Port.

During the year, the Port of Belledune continued to pursue new business opportunities; these projects are expected to result in the construction of new port infrastructure within the next year. The Port is also actively discussing opportunities for diversifying its cargo base in bulk, break bulk and unitized cargoes. These new opportunities will provide for improved cargo throughput, jobs and related economic spin-off benefits throughout the region in the years ahead.

The Belledune Port Authority takes its mandate very seriously and the responsibilities associated with its role in Northern New Brunswick. The Port strives to improve efficiencies in its services and does not take for granted the importance of its customers. We know that good customer and stakeholder relations are absolutely essential to the continued growth and success of the Port. The Belledune Port Authority will lead the way in promoting the Port of Belledune and encourage others to recognize the unlimited potential

and the benefits of using this great port in Northern New Brunswick.

We sincerely thank all the Port's customers for their business and its employees for their dedication and hard work in attaining another consecutive record year. We also want to express our gratitude to all the Port's stakeholders for their support over the past year. The Port of Belledune is acknowledged as one of Northern New Brunswick's leading economic development organizations, and the results for 2006 further contributed to this important status.

We are pleased to welcome three newly elected Directors: Philip G. Evans, Albert Doucet, and Léo Cormier (returning director) to the Board. They join newly elected Chairman of the Board Harry H. Williamson, Vice-Chairman Claude Doucet, Nancy McKay, and Ligouri Roy. They have made significant contributions to the success of the Authority thus far and will continue to play an integral role at the Port of Belledune.

We look forward to 2007 which is expected to be another very successful year for the Port of Belledune. We will continue to actively pursue business opportunities to be located at the Port, to enhance cargo tonnage and to therefore secure greater economic benefits for the region.

We encourage you to watch us grow; this is only the beginning.

Rayburn Doucett
President and CEO



MESSAGE FROM THE **DIRECTOR OF OPERATIONS**



During 2006, 70 vessels berthed at the Port of Belledune. This figure was down slightly from 2005. Total transport volumes were down as well with slightly over 1.8 million tonnes being handled through the port compared to 2.2 million in 2005. While overall dry bulk and break bulk volumes decreased, liquid bulk increased in the wake of reopening the Belledune Port Authority petroleum products tank farm to oil tanker shipments in 2006.

BPA's Operations team continued to focus on port security to improve its ability to prevent, and respond to, potential security breaches and other emergency situations. In late 2004, Transport Canada announced a Marine Security Contribution Program (MSCP) representing a 5-year, \$115 million commitment to assist ports and marine facilities with security enhancements. The Port of Belledune continued to take advantage of this program by making application to round 3 in April, 2006. The port received \$277,112 in 2005 and \$133,586 in 2006, for enhanced perimeter security, access control measures and for surveillance equipments ; training and allied control and communications equipment. Further applications for funding will be carried out as the next rounds are announced by Transport Canada.

The refurbishment and reopening of BPA's liquid bulk petroleum products facility marked a milestone for

improved cargo opportunities for the port. There were two inbound and one outbound tanker cargoes shipped during the latter part of the year. We expect to be very busy in 2007.

Routine maintenance and repair activities also continued at the port's three terminals to ensure they remain in first class condition to meet the shipping needs of the 21st century.

2006 marks yet another year of significant progress at the Port of Belledune. I wish to thank our President & CEO, my colleagues, the Board of Directors and all of our partners for their teamwork and cooperation throughout the year.

Captain Wynford Goodman
Director of Operations



MESSAGE FROM THE **DIRECTOR, FINANCE AND ADMINISTRATION**

It gives me great pleasure to report that at the end of December, 2006, the Belledune Port Authority was in a very strong financial position.

Our year end net surplus totaled \$1,203,488 with revenues of \$6,201,360, expenses of \$3,846,918 and interest expenses totaling \$1,150,954. The 2006 operating surplus is 27% over our budgeted surplus (for 2006) and 18% over the 2005 net surplus. This impressive result is largely due to clear directions from the Board of Directors, effective cost management and improved investment strategies.

During 2006, the Belledune Port Authority continued to invest in capital improvements to our infrastructure, and in specific projects such as the access road realignment, which was completed in September, 2006. In experiencing substantial growth in revenue despite a decrease in volume, the port's excellent potential and operational readiness speaks volumes. In addition, the port has attained a cumulative net profit of over 3.8 million dollars resulting in yet another record year for us.

The year 2005 was one in which management carefully assessed and evaluated port initiatives. In the next year, 2006, port activities and business pursuits were meticulously planned and executed. We proceeded carefully and methodically in the reopening of our liquid storage tanks and initiated detailed studies and assessment of other projects we expect will be finalized in 2007-2008.

Our successes are the result of concerted efforts of the staff, Board of Directors and our valued stake

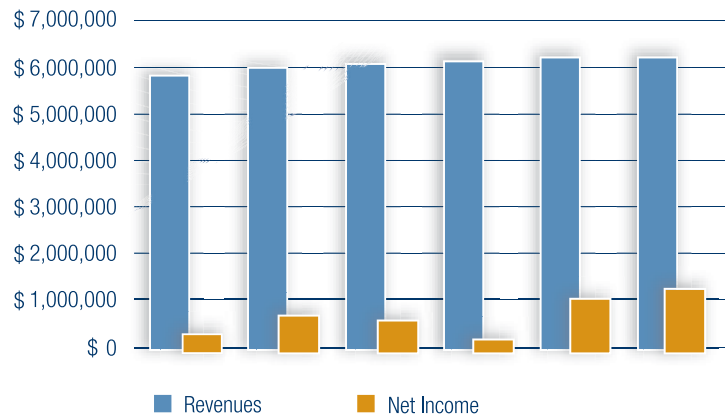
holders. I want to take this opportunity to recognize as well the exceptional participation of the Village of Belledune, Enterprise Chaleur, the Regional Development Corporation and the community at large, throughout the year. Their collaboration, support and cooperation have generated outstanding results.

The Belledune Port Authority's future is promising; we are ready to meet the challenges of the transportation industry in the years ahead. We know what needs to be done and we are up to the task.

I would like to personally thank the BPA staff, senior management colleagues, the President & CEO, the dedicated members of the Board of Directors and our valued stakeholders, for their support and much appreciated input.



Léo-Paul Sonier, CMA
Director, Finance and Administration



SUMMARIZED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006



AUDIT COMMITTEE REPORT

The primary task of the Belledune Port Authority's (BPA) Audit Committee is to oversee the financial reporting process on behalf of the Board of Directors. In order to carry out this responsibility, the Committee reviews the BPA's financial statements and gives its recommendations to the Board of Directors.

The Audit Committee also reviews any reports prepared by the BPA's Auditor regarding the BPA's accounting policies and procedures, as well as its internal controls. The Audit Committee meets independently with management and the Auditor to review the involvement of each in the financial reporting process and

to review the independence of the Auditor. These meetings also facilitate any private communication with the Audit Committee that is desired by either party.

This Committee also has the responsibility of recommending the appointment of the BPA's Auditor, who is appointed annually by the Board of Directors.



Ligouri Roy
Chairman, Audit Committee

AUDITORS' MESSAGE

To the Board of Directors of Belledune Port Authority

The accompanying summarized balance sheet and statements of earnings and surplus are derived from the complete financial statements of Belledune Port Authority as at December 31, 2006 and for the year then ended on which we expressed an opinion without reservation in our report dated February 23rd, 2007. The preparation of summarized financial statements from the complete financial statements is the responsibility of management.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principals. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the

entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.



ALLEN, PAQUET & ARSENEAU LLP
Chartered Accountants

Bathurst, New Brunswick
February 23rd, 2007

SUMMARIZED STATEMENT OF INCOME | BELLEDUNE PORT AUTHORITY

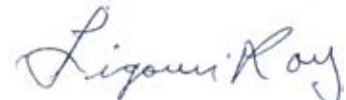
Year Ended December 31	2006	2005
REVENUES FROM OPERATIONS		
Harbour services	\$ 1,290,668	\$ 1,604,331
Rentals	4,748,227	4,482,476
Shipping and other services	162,465	47,073
	6,201,360	6,133,880
EXPENSES		
Salaries and employee benefits	318,754	340,314
Maintenance and repairs	438,439	381,161
Professional fees and fees for consulting services	865,123	744,398
Depreciation	1,476,656	1,480,331
Gross revenue charge	129,853	127,510
Payments in lieu of municipal taxes	65,822	50,101
Other operating expenses	552,271	636,453
	3,846,918	3,760,268
EARNINGS FROM OPERATIONS BEFORE INTEREST EXPENSE AND INVESTMENT INCOME	2,354,442	2,373,612
INTEREST EXPENSE AND INVESTMENT INCOME		
Interest expense	(1,442,263)	(1,596,933)
Investment income	291,309	241,655
	(1,150,954)	(1,355,278)
NET EARNINGS	\$ 1,203,488	\$ 1,018,334

SUMMARIZED BALANCE SHEET | BELLEDUNE PORT AUTHORITY

December 31	2006	2005
ASSETS		
CURRENT		
Cash and term deposits	\$ 5,518,513	\$ 4,636,279
Receivables	681,612	401,983
	6,200,125	5,038,262
Investments	500,000	500,000
Restricted cash	1,428,433	1,428,433
Deferred financing cost	322,737	374,375
Property and equipment (Notes 3)	36,927,736	38,092,609
	\$45,379,031	\$45,433,679
LIABILITIES		
CURRENT		
Bank Advance	\$ 1,056,710	\$ -
Payables and accruals	222,323	367,239
Current portion of long term debt	2,321,253	2,154,846
	3,600,286	2,522,085
Accrued employee benefits	105,416	185,499
Long term debt (Note 4)	15,445,553	21,616,807
Deferred revenue	65,000	-
	19,216,255	24,324,391
EQUITY		
Contributed capital	22,278,564	18,428,564
Surplus		
Balance, Beginning of Year	2,680,724	1,662,390
Add : Net Income for the Year	1,203,488	1,018,334
Balance, End of the Year	3,884,212	2,680,724
Total Equity	26,162,776	21,109,288
On behalf of the Board	\$ 45,379,031	\$ 45,433,679


 Chairman of the Board


 Chief Executive Officer


 Chairman of the Audit Committee

1. NATURE OF OPERATIONS

The Belledune Port Authority was established under the Canada Marine Act to administer, manage and control Belledune harbour, as well as the property of Canada transferred by the Governor in Council. The Authority is named in Part 2 of the Schedule Canada Marine Act and is exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred financing cost

Deferred financing cost consists of various professional fees incurred to obtain long term financing. These costs are amortized over 152 months on the straight-line basis.

Property and equipment

Grants, including forgivable loans, towards capital projects received from Canada and from third parties are deducted from the cost of the related assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Dredging	40 years
Berthing structures	32, 38 and 40 years
Buildings	10, 37 and 40 years
Utilities	10, 19, 20, 29 and 30 years
Roads and surfaces	10, 20 and 30
Machinery and equipment	3, 5 and 10 years
Furniture and fixture	3 and 5 years

Revenue recognition

Revenue is recognized as the related services are provided.

Pension costs

All permanent employees of the Authority are covered by a private pension plan. Contributions to the plan are required from both the employees and the Authority. The annual contributions for pensions are recognized in the accounts on a current basis.

Employee benefits

The Authority accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave, which are payable to its employees in subsequent years in accordance with its policy.

NOTES TO THE SUMMARIZED FINANCIAL STATEMENTS

For the Year Ended Dec. 31, 2006

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3. PROPERTY AND EQUIPMENT

			2006	2005
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Lands	\$ 7,386,786	\$ -	\$ 7,386,786	\$ 7,386,786
Dredging	7,107,308	2,338,962	4,768,346	4,946,028
Berthing Structures	25,608,969	9,177,325	16,431,644	17,074,215
Buildings	4,953,923	962,063	3,991,860	3,973,498
Utilities	5,884,686	2,542,811	3,341,876	3,565,710
Roads & Surfaces	2,895,405	2,026,304	869,102	1,092,068
Machinery & Equipment	307,138	179,124	128,014	29,850
Furniture & Fixtures	160,444	150,335	10,109	24,454
	\$54,304,660	\$17,376,924	\$36,927,736	\$38,092,609

4. LONG TERM DEBT

	2006	2005
Trust notes, bearing interest at 7.535%, repayable in equal quarterly instalments of \$828,433 principal and interest, maturing in March 2013. The Authority has maintained the required debt covenants.	\$16,396,797	\$18,380,728
Loan from the Caisse populaire des Fondateurs, bearing interest at 7.5%, repayable in equal monthly instalments of \$23,072 principal and interest, maturing in 2009.	1,366,918	1,534,382
Loan from the Province of New Brunswick, interest free, repayment based on 25% of the Authority's prior year's net earnings, payments commencing June 30, 2001 with any outstanding balance payable on June 30, 2013.	-	3,850,000
Equipment under capital lease.	3,091	6,543
	17,766,806	23,771,653
Less: current portion of long term debt	2,321,253	2,154,846
	\$15,445,553	\$21,616,807

Principal repayments in each of the next five years are due as follows:

2007	\$2,321,253
2008	\$2,497,856
2009	\$2,691,479
2010	\$2,900,112
2011	\$3,124,916
	\$13,535,616



ACCESS ROAD IMPROVEMENT

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During the second half of 2006, work was done to improve the access road to the Port of Belledune. A new ramp that runs straight from Route 134, which leads to the nearby Trans-Canada highway, to the existing road leading to Terminal III was put in at a cost exceeding \$700,000.

The ramp greatly improves access for transport trucks and other vehicles, but the main reason for the road alignment was a safety issue. In the past, vehicles coming from the north had to make a left turn atop a curved hill; northbound traffic had to climb the same hill, then make a wide right turn because of the angle of the highway. The port felt it was vital to deal with this potential safety issue not only for existing traffic but in consideration of potential traffic increase as port business expands. Safety was the primary consideration behind this endeavor and has always been of the uppermost concern to the port staff and its board.



Belledune Port Authority Staff

From left to right – standing: Monica Legacy, Tracy Eddy, Rolande Comeau-Roy, Lynn Russell

From left to right – sitting: Léo-Paul Sonier, Rayburn Doucett and Wynford Goodman.