Annual Report 2024

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NAV CANADA

Message from the Chair of the Board

If there is one word to describe the last year at NAV CANADA, I believe it is change. It has been reflected in a variety of ways – through new partnerships, implementing advanced technologies, enhancing our services, training employees, and recruitment. Notably, this all points back to a common goal: delivering better service to our customers.

This aim is at the heart of our strategic direction. Through investments in transforming our processes and technology, we are building an airspace that will improve the customer experience, delivering faster and more efficient routes, and reducing the industry's carbon footprint along the way. Though its full impacts are still years away, our vision is about delivering results that will benefit all Canadian airspace users.

A significant axis of change was at the leadership level. The Board has been highly engaged in the search for a new President and Chief Executive Officer, and I am pleased that Mark Cooper will be leading the company through our next chapter. Mark brings over 25 years of experience in aviation and has most recently led the evolution of NAV CANADA's technology as our Vice President and Chief Technology and Information Officer. We are excited about the energy and expertise he will bring to our team.

Another area of focus for the Board this year was our commitment to Environmental, Social and Governance (ESG) priorities. Already, we've put a strong ESG framework in place to promote transparency and good governance around how best to introduce, discuss and make decisions concerning these topics. Building on that foundation, the Board and the Executive Management Committee received formal ESG training through an Institute of Corporate Directors tailored course, contributing to more comprehensive examinations and discussions of how we forge a path ahead.

Incorporating sustainability and ESG into our decision-making is a change unto itself – and one still in progress. The more we integrate these ideals into the fabric of NAV CANADA, the more tangible positive outcomes we will see realized – for our customers, for our skies, and for our stakeholders. I'm proud that we are shouldering this effort together.

In 2024, Lucie Guillemette and Iain Stewart joined the Board, and have already made excellent contributions as directors. At the annual meeting in January 2025, Bonnie DuPont, Edward Barrett and Michael DiLollo will be retiring from the Board. All have been consistent and constructive voices over the course of their tenures and have shown great leadership throughout.

Finally, on behalf of the Board, I want to express my appreciation for the impressive work that our outgoing President and CEO Raymond Bohn has achieved since taking the helm in early 2021. His steady, confident leadership has helped the company traverse some challenging times and has positioned us for continued growth at an exciting point in our evolution. We thank Ray for his loyal service and look forward to seeing what he accomplishes next.

(Signed) "Michelle Savoy"

Michelle Savoy

Chair of the Board

Message from the President and CEO

This past year has been an exciting time at NAV CANADA. As we continue to move ahead with our Strategic Direction, working towards a vision for the future of Canada's air navigation services, we have taken significant steps and made tangible progress in our strategy.

We know we cannot do this alone, and our progress has been bolstered by the partnerships we established this year with other global leaders in aviation, whose experience and expertise will support key initiatives over the coming years. We joined the iTEC alliance, strengthening our alignment with seven fellow air navigation service providers, and have signed a contract with Indra to deploy iTEC as a central flight data processor. We also signed with Kongsberg Geospatial on the installation of digital aerodrome air traffic services technology. I am proud of our team for finding collaborators who share our vision for the future and leave us well-positioned to move forward.

When it comes to training and recruitment, we have redoubled our efforts to ensure that we have the right talent and capabilities to support continued industry growth in the future. This year, we took a bold new approach to recruiting talent and signed an agreement with CAE that will let us train and onboard more new operational employees over the next four years. Investing in the growth of our workforce today better prepares us for tomorrow.

We have also continued to invest in our people, driving forward culture initiatives that make NAV CANADA a better place to work for everyone. This year, we launched our National Strategy on Diversity, Equity, Inclusion and Belonging (DEIB)— a multi-year plan that is helping us build and sustain a culture where everyone feels seen and supported. I believe that building a healthier and more inclusive workplace is an important part of achieving our ambitious goals for the future.

On a more personal note, I have announced my retirement from NAV CANADA, effective at the end of 2024, after nearly two and a half decades with the Company. It has been a privilege to lead this exceptional organization since February 2021, and I am very proud of the work we have done together. I would like to extend a warm welcome to Mark Cooper, my colleague and successor in the role of President and Chief Executive Officer. I wish him the best as he takes the helm.

I would like to thank Michelle Savoy and the entire Board of Directors for their guidance, counsel and support over the past year. Finally, I would also like to express my gratitude to our employees, whose resilience, creativity and unwavering commitment are the bedrock of our success. NAV CANADA thrives because of the people who push us to fly higher and deliver excellence every day. Thank you.

(Signed) "Raymond G. Bohn"

Raymond G. Bohn
President and CEO

Business Updates

Delivering Operational and Service Excellence

In our business, there is no downtime. We are engaged in every moment of every day across multiple time zones, providing critical services to meet the challenges of an ever-evolving industry. Though NAV CANADA's operational role is set behind the scenes for many, our success allows others to thrive. Our highly skilled workforce adheres to rigorous operational standards and delivers the safest and most efficient services we can to our valued customers. Whether delivering air traffic services, providing aeronautical information or maintaining communications, navigation and surveillance infrastructure for those who place their trust in us, we are proud to be a vital link in helping others perform their best, to keep Canada's skies safe.

Our Stakeholders – Partnering for Success

Effective stakeholder collaboration remains a cornerstone of the industry's shared success and, as a result, NAV CANADA is committed to proactive engagement on a range of operational, business and sectoral topics. Stakeholder engagement — with customers, airports, associations, government officials, our regulator and international bodies — takes place in formal committees, consultative spaces, and the day-to-day discussions required for effective and collaborative decision-making. These efforts have been crucial in setting our strategic direction, supporting operational performance and shaping how we create value for our stakeholders.

Customer Satisfaction

This past year marked our return to the International Customer Outreach and Survey Program, which seeks valuable input from international operators on a number of air navigation service (ANS) performance areas. The survey yielded an overall satisfaction rating of approximately 80%. This follows last year's domestic customer survey program, which showed an overall satisfaction rate of 81%. Overall, our stakeholders have positive feedback regarding the advancement of key initiatives such as trajectory-based operations, airspace modernization and digital facilities, as well as our efforts to enhance the resilience and sustainability of the air navigation system. The survey also revealed where we have opportunities to improve. NAV CANADA is committed to working with stakeholders to understand challenges and opportunities and provide the best services we can both today and as we shape the ANS of the future.

Customer Value Proposition

Data is a powerful tool in understanding how we as an industry can perform better, and how the air navigation service creates value for our customers and stakeholders. We have used the feedback obtained through engagement with our stakeholders to refine system performance metrics. In fiscal 2024, a development plan and roadmap were produced for the reporting of customer value proposition. They include an approach to data-sharing agreements to make key metrics available to our stakeholders. This initiative has increased trust among our customers and stakeholders, and highlighted our commitment to transparency, accountability and collaboration. Conversations continue regarding the mechanisms and cadence for future sharing of this insightful information, as we continue to collaborate with government and industry partners on the broader data-sharing ecosystem.

Providing Services Through Wildfire Season

The growing prominence and severity of wildfires throughout Canada remind us of the critical importance of safety and preparedness training for our organization. NAV CANADA operations in four different provinces and territories faced significant challenges in responding to the events of summer 2023. The lessons gleaned from these situations helped to guide our Security and Emergency Planning group in strategically improving our safety and response preparation for the 2024 wildfire season. Actions included:

- Strengthening ties and information flow with provincial and territorial emergency management organizations;
- Collaborating with Transport Canada and other federal departments to clarify our service offerings and identify key employees who will continue to provide support and services during emergencies;
- Raising employee awareness of regional emergency management team roles and the related supervisory decision-making processes;
- Continuing preparedness training at all levels of our operations to promote consistent application of crisis management standards and expand the number of employees trained.

In May 2024, a significant wildfire event faced by the NAV CANADA team led to the evacuation of our employees from the Fort Nelson flight service station (FSS). All employees and family members were safely evacuated from the site with the Company's support and returned by the end of the month. The station re-opened with no physical damage to the FSS.

Improving Weather and Aeronautical Information for Our Customers

In November 2023, we demonstrated our ongoing commitment to industry-wide education by launching the Aviation Meteorology Reference, an online bilingual resource that helps users to better define and understand weather phenomena. This free, non-operational resource was developed in collaboration with Canadian aviation and meteorology experts, including pilots, dispatchers, air navigation experts, airport authorities, certified flight instructors and meteorologists from the Meteorological Service of Canada.

Designed to establish a common understanding of weather, the Reference explains the science of weather, provides information within a historical context and applies the impact for all manner of aircraft. In an era where the severity of weather events demands clear understanding and categorization, this guide strives to standardize the terminology used across various disciplines within aviation. The Aviation Meteorology Reference will inherently strengthen how we communicate and collaborate across the industry.

We have also enhanced our AIP Supplements (AIP SUPs), as well as the AIP Canada web page, to make them more appealing and effective in communicating key information by standardizing content, layout and graphics. Where NOTAMs have always conveyed important information, AIP

SUPs can include more detailed and comprehensive information, including graphics, that provide a clear understanding of the situation. To ensure our customers prioritize this information, we have introduced trigger NOTAMs, in line with International Civil Aviation Organization standards, which alert users to consult the relevant AIP SUP for situational awareness.

Reinforcing Our Safety Foundation

Safety is at the core of NAV CANADA's success. Every Company employee recognizes that safety is inherent to the decisions we make, the actions we undertake, and every plan we devise and implement. Our approach to safety always aspires to a higher standard by putting comprehensive safety management measures in place, assessing and integrating innovative technologies, and providing the ongoing training our teams require to perform at the highest level.

NAV CANADA wins CANSO Global Safety Achievement Award 2023

In November 2023, we were honoured to receive recognition for introducing technology that contributes to safer skies and a more secure industry. Our Fatigue Risk Management Application Development Team earned CANSO's Global Safety Achievement Award for its innovative work on designing the PowerBI App — a data-driven tool that manages fatigue and monitors fatigue limit exceedance.

The PowerBI App integrates three key reports – Fatigue Risk, Fatigue Limit Exceedance, and Fatigue Review – to support NAV CANADA's Fatigue Risk Management System (FRMS). The Development Team deployed the PowerBI App nationwide to help track over 2,000 operational employees in over a hundred units across five time zones. Most importantly, the data produced by the application allowed NAV CANADA to make positive changes to our FRMS in collaboration with the affected employees.

NAV CANADA has been shortlisted as two of the three finalists for the 2024 CANSO Global Safety Achievement Award. The winner will be announced in March 2025.

Operational Safety Performance Metrics

Our safety performance continued to trend upward over our prior year's success. The rate of IFR-to-IFR (instrument flight rules) loss of separation dipped from 0.53 per 100,000 movements in fiscal 2023 to 0.40 in fiscal 2024. This figure is below half the Company's benchmark rate of 1.0 per 100,000. Furthermore, the number of IFR-to-IFR losses of separation per 1M IFR flight hours fell from 14.64 in fiscal 2023 to 10.98 this year. While 39% of those events occurred at the four major terminals, losses of separation at those area control centre (ACC) specialties decreased by 24%, from 21 in fiscal 2023 to 16 in fiscal 2024.

Similarly, the number of air traffic service (ATS) operating irregularity (OI) runway incursions (RI) was 0.65 per 100,000 runway movements, down from 0.73 last year. Nearly half (46%) of the ATS OI RIs occurred at Flight Training Unit (FTU) towers. The number of incidents fell from 19 in fiscal 2023 to 17 in fiscal 2024.

Annual Safety Plan

NAV CANADA has earned the trust of partners and stakeholders across the aviation sector by prioritizing safety throughout our organization. Our ongoing commitment to risk mitigation and implementation of strict safety protocols is detailed in our Annual Safety Plan, which features a range of key activities and performance targets. This plan is our guiding document; it is central to how we address operational safety risks and, ultimately, improve aviation safety in Canada.

The fiscal 2024 Safety Plan achieved a weighted completion rate of 98.4%, exceeding our target of 90%.

Safety Culture Survey

The biennial Safety Culture Survey, conducted in the spring of 2024, helps to evaluate the strength of our safety culture and determine areas for improvement. By flagging key safety concerns sooner, we can address them and initiate steps towards resolution or, at the very least, undertake operational changes that will alleviate uncertainty. The findings also support other safety management activities, such as our Annual Safety Plan. This year, we asked the same questions as our international counterparts, AustroControl (Austria) and Skyguide (Switzerland), to identify common themes and disparities.

We performed an analysis of our findings in July 2024; this will be followed by the development of improvement action plans in fiscal 2025. These regular snapshots identify key areas of concern while reminding employees that there is an opportunity to engage and be heard. Employees can contribute to improving the overall culture of safety throughout the organization.

Building Towards Tomorrow's Airspace

As we look towards the future of air travel in Canada, we are guided by a clear strategic direction that prepares us to meet the future needs of our customers and brings us in line with international standards. This year, we began the shift from planning to execution as we took concrete steps forward on a number of initiatives. Throughout this process, we are communicating transparently with our employees and stakeholders, ensuring that everyone is aligned with our goals over the coming years.

Digital Facilities

Digital facilities extend the horizon of possibilities for NAV CANADA to continue delivering safe and efficient services, while moving beyond the intrinsic limitations of traditional on-airport facilities. Our strategic and financial investment in these advanced facilities reflects our ambition to meet the industry's evolving needs through modernization.

In fiscal 2024, we began planning and preparing to implement Digital Aerodrome Air Traffic Services (DAATS) technology at Kingston Airport as our initial digital facility. With the effort to secure a construction vendor underway, we have partnered with Kongsberg Geospatial — which brings experience from successful implementation in Norway — to equip us with this progressive technology.

This partnership equips us with technology that improves the safety, resiliency and sustainability of our facilities and activities. The high-resolution optical sensors and camera technology, microphones, integrated screens and related equipment will ensure situational awareness and augment the visual capabilities of air traffic service personnel at our future digital facilities. Our current efforts build towards the broader expansion and implementation of these services across Canada.

Trajectory-Based Operations

In February 2024, NAV CANADA reinforced its commitment to safer, more efficient and responsive air traffic management systems by joining the iTEC Alliance with Indra as the technology partner. This partnership will facilitate the replacement of our legacy Canadian Automated Air Traffic System (CAATS) and the adoption of trajectory-based operations (TBO) — one of the three initiatives driving our strategic direction — as we deploy Indra's technology at facilities across the country over the next 15 years and beyond.

The first phase of this partnership includes deploying a state-of-the-art central flight data processor (cFDP) based on the iTEC Flight Data Processor (FDP), and an air traffic flow management system (iACM) for complex airspaces. The integration of information from Canada's area control centres is aimed at improving traffic flow and boosting efficiencies, while reducing fuel consumption and associated greenhouse gas emissions.

The iTEC FDP offers numerous benefits to our operational success. Foremost, this technology provides a more comprehensive picture of flights from takeoff to landing. Information will be integrated, providing greater predictability and accuracy of air traffic information over an extended horizon. This will contribute to more precise planning and coordination, while fundamentally creating a safer overall operation.

The agreement reflects NAV CANADA's ongoing commitment to being a global leader in air navigation. It enhances our security measures, promotes innovation and advances our expertise. It also deepens our international relationships with our global ANSP counterparts who are also members of iTEC: DFS (Germany), ENAIRE (Spain), NATS (United Kingdom), LVNL (the Netherlands), Avinor (Norway), PANSA (Poland) and Oro Navigacija (Lithuania).

This long-term commitment underscores NAV CANADA's contributions to greater collaboration and predictability in global aviation by aligning with the International Civil Aviation Organization's Aviation System Block Upgrades (ASBU). Anticipated benefits will include optimized flight path planning and cost savings, as well as greater predictability, fewer delays and reduced $C0_2$ emissions. Increased commonality could also facilitate further shared development and testing in the future.

Airspace Modernization

In charting NAV CANADA's future course, we are actively implementing modernization programs that enhance service delivery and safety measures, while laying the groundwork for TBO. Airspace modernization (ASM) is a long-term strategic effort that involves multiple projects and initiatives which, combined, anticipate ongoing growth in — and optimal value to — our industry.

Foremost have been our continued efforts towards establishing the Canadian Network Management Unit (CNMU), a key anchor point for both TBO and ASM. To date, functional areas have been established and CNMU roles are being defined. We have also begun work on a future airspace concept of operations, which will: reimagine Canadian domestic airspace to improve service efficiency, flow and predictability; introduce concept enablers like flexible-use airspace and free-route airspace; and enable trajectory-based operations.

Other notable projects during the past year include:

- The Vancouver Airspace Modernization Project (VAMP), which has addressed concerns at Abbotsford International that there were limited options available for straight-in IFR approaches and related procedures (e.g. circling, visual approaches, landings in tailwind conditions). Further to an assessment conducted between 2021-2023, a series of changes are now underway through the collaborative efforts of several groups. These changes include providing straight-in IFR access to the runway, greater predictability and reliability for IFR arrivals, reduced track miles and mitigation of other challenging flight situations.
- The expanded implementation of the Automatic Dependent Surveillance-Broadcast (ADS-B) mandate to include Class B airspace improves safety and efficiency while further setting the stage for TBO. ADS-B equipment — backed by an Iridium network of 66 satellites carrying Aireon's ADS-B receivers — offers an unparalleled level of precision. This contributes to improved search-and-rescue operations and, more broadly, provides operators with the ability to fly shorter, more predictable routes while reducing fuel costs.

RPAS Traffic Management: Preparing for New Entrants

It is widely accepted that drones — or, as they are more formally known, remotely-piloted aircraft systems (RPAS) — represent a significant opportunity for our economy as new entrants begin to harness this technology's vast potential. Consider the array of prospects available, from reimagining delivery services to managing surveys, inspections and related geotechnical services, emergency response, agricultural monitoring, real estate and much more.

In preparation, NAV CANADA is building the tools to manage the safe integration and operation of RPAS in our airspace alongside traditional aviation. This is part of the Company's comprehensive strategy for Canada to meet the challenges presented by rapidly expanding drone operations.

This year marked further growth and updates for NAV Drone, our official application that enables RPAS pilots to safely and legally request authorization to fly drones in NAV CANADA-controlled airspace. Available on the Apple App Store and Google Play Store, the most recent version has several new features, including an operation timeline, improvements to the operation flight report, strategic deconfliction to avoid potential conflicts, and a distance calculator for more precise planning and adjustable flight path width, which allows for greater flexibility and safer flight planning. Over the course of fiscal 2024, NAV Drone gained 17,552 new users, bringing its total to 55,277, while issuing 53,699 flight plan approvals over the course of the year.

We are also preparing for a future that welcomes more types of drone operations. Currently, drone pilots can fly within visual line of sight (VLOS), and the next stage of evolution is beyond visual line of sight (BVLOS). In December 2023, a concept of operations for phase two of RPAS Traffic Management (RTM) was published to share our approach for this future. This concept of operations will guide the safe integration of BVLOS operations into the aviation ecosystem in the coming years.

Over the course of this past year, we also began Phase 2 RTM trials, worked in conjunction with the Canadian government and military to develop plans for drone incursion response activities, and held our first industry day for advanced air mobility (AAM) and urban air mobility (UAM), bringing together regulators, experts and stakeholders to understand the current situation and discuss plans and requirements for the future.

Ensuring Operational Capacity for the Future

Our services enable the Canadian aviation industry. They are essential to countless customers, businesses, passengers, consumers and more who rely on our operational success and sustainability. Within that relationship, it is our responsibility to keep pace with our industry's demands, especially as the aviation sector continues to expand. Given expected growth in the aviation industry, we are prioritizing recruitment and training at all levels of our organization to ensure we are ready for the challenges to come.

Operational Training Modernization Program

This year we launched the Operational Training Modernization Program (OTMP), which is designed to increase our air traffic service (ATS) student capacity and achieve the staffing levels we will need over the coming years. OTMP aims to build on our training resources over several years to ensure our operational capacity. This process requires a comprehensive training regimen that keeps current with technology and provides multifaceted programming.

OTMP combines a range of initiatives under the umbrella of the ATS Learning Strategy and Roadmap.

Supplemental Operational Training

To further bolster our training capacity and strengthen our workforce resources under OTMP, we signed a strategic agreement with CAE. This partnership will enable CAE instructors to provide initial training to flight service specialists (FSS) and air traffic controllers (ATC) using NAV CANADA's basic curriculum in anticipation of future staffing needs. As the first classes launch in October 2024 at a new Air Traffic Services Training Centre on CAE's campus in Montreal, the aim is to recruit and train over 500 additional students by 2028.

Training through CAE will operate alongside NAV CANADA's existing ATS course offerings, which will continue to be the core of our training program throughout and beyond the CAE contract.

Taking collaborative action in this area helps prepare NAV CANADA to meet emerging demands for air traffic service personnel while solidifying our safety and efficiency standards over the long term.

Component Content Management System (CCMS)

We are implementing a new platform designed to manage course curriculum, courseware and related content, while reducing administrative tasks and creating a more responsive system for maintaining and delivering courses. This year, we signed a contract with content management specialist RWS Tridion Group, whose software will help us structure our content into a more intelligent, modular and adaptable system for ATS learning.

Comprehensive Simulation Strategy

Under OTMP, we are moving forward with a comprehensive simulation strategy that will align all aspects of our simulation work by streamlining processes and better aligning them with our organizational goals. In addition to providing a high-level roadmap that will help inform activities and decisions, the strategy will ensure that simulation provides an individual learning experience, tracks student progress and provides data as a key output.

This strategy will provide clear direction, guide decisions, and ensure a common vision across the Company as simulation training modernization efforts continue to progress.

Goose Recruits

This year we overhauled our approach to the recruitment of prospective ATS talent. Given our anticipated future operational demands, we saw an opportunity to explore a new angle to attract prospects. Cue the launch of our "Goose Recruits" campaign in late May 2024 — a digital advertising initiative that struck the perfect balance between humorous creative and strategic enticement to engage prospective ATS talent and encourage consideration of a career with NAV CANADA.

Starring two Canada geese – Gabe and Alice – this amusing advertisement provided shareable content for the target audience. It managed to convey how our team culture blends serious responsibilities with an innovative and, yes, fun outlook. The ad may have flown in the face of our traditional recruitment campaigns, but it proved highly effective in creating buzz about the Company and delivering results.

We focused on social media for this recruitment campaign, establishing accounts on more platforms and reaching new audiences to attract the right applicants. Since the baseline was established in November 2023, the monthly number of qualified applicants has jumped by 257%.

Championing Our Culture and Values

Every day, we must live our Company values and nurture a culture of collective purpose. Those ideals find expression in several ways at NAV CANADA, but they start with the understanding that employees are central to our mission. It is our people who are responsible for keeping Canada's skies safe and, as an organization, we must actively support them at every juncture to ensure they are seen, heard and understood. It is important that employees at all levels and locations of our operations feel recognized for contributing to our overall mission and empowered to perform their best. Furthermore, just as safety is central to their responsibilities, it is vital that they feel safe and cared for, whatever their role may be.

Diversity, Equity, Inclusion and Belonging

We endeavour to create an environment as equitable, safe and respectful as possible at NAV CANADA so that all our employees feel seen and valued. By introducing our National Strategy on Diversity, Equity, Inclusion and Belonging (DEIB) for FY24-28, we have taken definitive steps towards empowering and educating employees and giving them a voice.

Broadly, our Strategy identifies six priorities: elevating DEIB discourse; developing inclusive leaders; increasing representation; developing inclusive communities; lifting barriers for an equitable workplace; and building trust and recognition. These components will provide the framework for our activities over the next five years. As we are only now embarking on our DEIB journey, we must appreciate that this process takes time and commitment to reach its full potential.

We have already begun putting these principles into action: introducing and implementing programs, analyzing their effectiveness and refining their delivery. We anticipate even more evolution with the growing impact of advisory councils and employee resource group training. To date, there has been an impressive amount of activity that the Strategy has produced, including:

- Establishment of the CEO Executive DEIB Council
- Creation of the National DEIB Advisory Council
- Establishment of 2SLBGQTIA+ Employee Resource Group (ERG)
- New sponsorship for the Black Aviation Professional Network (BAPN)
- Launch of the Employee Resource Group for Women
- Delivery of unconscious bias training for the Talent team
- Delivery of inclusive leadership training for leaders
- Development of inclusive language guidelines
- Development of our first DEIB annual report

By bringing employees with diverse lived experience into these various resource groups, we are better positioned to make meaningful changes. Looking ahead, we are preparing to roll out training and workshops to fulfill our objectives of continuous learning, awareness building and information sharing. While it is still early in our journey, we are committed to removing barriers, providing fair processes that treat everyone equally, and empowering employees to share their thoughts and feel heard. We believe we are creating a workplace where people can be themselves and feels a sense of belonging.

Sustainability and ESG

As a member of the UN Global Compact and signatory to Canada's Aviation Climate Action Plan, NAV CANADA is committed to pursuing and implementing standards that bolster our Environmental, Social and Governance (ESG) Strategy and lead us towards supporting net-zero greenhouse gas (GHG) emissions in Canada's aviation sector by 2050. We are proud to tackle this challenge across several key areas of our operations.

Meaningful action around sustainability starts with measurement. With respect to our emissions, it is important to calculate our outputs year-over-year to identify where positive changes are occurring and where more work needs to be done. We first reported on our Scope 1 and 2 (direct and indirect) emissions last year, and this year we are adding Scope 3 (value chain) emissions as well.

In 2023, our total overall GHG emissions sat at 90,594 tCO_2e. Scope 1 emissions accounted for 14% of that total, while Scope 2 and Scope 3 represented 18% and 68%, respectively. More specifically, the main contributors to Scope 1 and 2 emissions were the powering and heating of our area control centres, towers, buildings, and communications, navigation, and surveillance (CNS) equipment. For Scope 3 emissions, purchased goods and services represented the bulk of our value chain emissions.

This year, we announced plans for the construction of the Victoria Tower, demonstrating how we are building sustainability into our infrastructure. The ground-breaking in May 2024 of our first LEED (Leadership in Energy and Environmental Design) certified tower in the country marked NAV CANADA's shift towards modernization and sustainability. Designed in collaboration with the Victoria Airport Authority, the tower features green power supplied by BC Hydro, and the facility will operate virtually emissions free, which is a big step towards our vision for Net-zero emissions by 2050. We have even landscaped the surrounding property with native flora and selected plants that minimize bird attraction, integrating safety and sustainability. The tower is scheduled to open in 2027.

The NAV CANADA Pension Plan Responsible Investing Policy is another example of how ESG factors, combined with a related risk management assessment, contribute to our decision-making and responsible practices. Asset and investment management choices directly reflect our core principles, and our ambition is to promote good governance that spurs long-term value. We're doing this by incorporating ESG factors into our due diligence, while measuring and benchmarking the carbon footprint of our public market investments. Looking ahead, we will expand our carbon measurements to private market investments and push for stronger ESG reporting from investment managers.

We have also extended sustainability into our Supply Chain Management Strategy, factoring in the environmental impact of goods and services as we assess prospective partners and suppliers. These baseline requirements for supplier sourcing and bid evaluation better position us to discuss environmental issues and introduce best practices into our processes.

Constructive Relations with Our Unions

In fiscal 2024, we engaged in productive collective bargaining sessions with seven different unions. We are pleased to announce the successful ratification of agreements with the Air Traffic Specialists Association of Canada (ATSAC), the Professional Institute of the Public Service of Canada (PIPSC) and the International Brotherhood of Electrical Workers (IBEW Local 2228).

Discussions are ongoing with the Canadian Air Navigation Specialists Association (CANSA), the Association of Canadian Financial Officers (ACFO), the Canadian Federal Pilots Association (CFPA) and the Public Service Alliance of Canada (PSAC) as we work towards the resolution of these respective agreements.

Simplification

To embrace simplification is to remove barriers, ease complexities, improve efficiencies and bolster overall operations. That mindset inspired the launch of our Simplification Program in 2023 as part of our Enhanced Culture Initiative (ECI), and we have since started to build tools and practices. This effort aims to identify areas where low-risk changes can be made to improve various facets of day-to-day operations.

These ideas converge on our intranet, with a shared resource where employees can contribute straightforward, effective ideas to streamline our processes. They can draw on experiences, encourage discussions, provide Q&As and offer insights that will help colleagues work and interact with greater clarity and efficiency. More effective meetings and more incisive review processes, for example, mean fewer redundancies and less time required to complete tasks.

Shadow Board

Another success has been the launch of our inaugural Shadow Board. This body brings together employee representatives from across the company to contribute ideas and spark action around promoting positive employee experiences. Over the course of the year, our inaugural Shadow Board made a series of recommendations across three areas: simplification, community building, and listening and growth.

Each year, a new group of employees will be chosen for the Shadow Board to encourage broader participation and ensure different perspectives are shared.

Employee Experience Survey

Designed to take a measure of everyone's experience within the organization, our most recent Employee Experience Survey revealed a mix of positive and negative sentiments. This initiative aims to create a more robust and connected culture at NAV CANADA, and these snapshots help highlight some positives, flag where we need to invest more resources and ultimately inform decision-making.

With a 32% response rate (unchanged from last year), the above-the-fold findings included upticks in motivation, team spirit, workforce diversity and skill development. In terms of areas for improvement, we saw declines in transparency, trust and feeling valued. Despite efforts to improve communication, including Ask Me Anything sessions and site visits, positive sentiment dropped 3% from the prior year.

Overall, while there are challenges to address, the findings indicate that our leadership's efforts to drive culture in support of a better workplace are resonating throughout the organization. Our commitment to a more inclusive environment and connected Company will see us continuing to encourage feedback, though we will now conduct the survey annually to avoid the potential drawbacks of survey fatigue.

NAV CANADA Cares

NAV CANADA Cares is the centrepiece of the Company's charitable contributions program, supporting registered charities and non-profit community organizations throughout the year. Our funding requests are employee-driven, meaning that we target the causes that matter most to our employees. We support a wide range of initiatives, including community well-being, diversity and inclusion, physical and mental health, the environment, and aid during a crisis.

NAV CANADA Cares increased its community engagement in fiscal 2024, after resuming the program in fiscal 2023, following its suspension during the financial constraints of the pandemic, as we prioritize our positive impact in communities across the country.

Finance and Governance

Financial Highlights

In fiscal 2024, we implemented an average 5.57% rate reduction effective January 1, 2024. Since then, our air traffic revenue forecast was adjusted downwards to reflect the continuing impact of critical uncertainties for the industry, including labour and supply constraints. In response, we have been actively focusing on cost management and refining our modernization strategies. This year, we made important investments in staffing, training and infrastructure renewal, while advancing key longer term strategic initiatives.

Air traffic levels, as measured in weighted charging units (WCUs) (a measure of the number of billable flights, aircraft size and distance flown in Canadian airspace, which serves as the basis for movement-based service charges), increased in fiscal 2024 by 6.4% on a year-over-year basis. The Company reported a total revenue of $1,800 million, compared to $1,778 million in the previous year, with the average rate decrease as of January 1, 2024, partially offsetting the positive impact on revenue experienced due to the growth in WCUs.

Operating expenses for fiscal 2024 were $1,638 million as compared to $1,493 million in fiscal 2023, primarily due to higher compensation costs driven by an increase in both staffing and wage levels.

Net other income and expenses for fiscal 2024 was a net expense of $80 million as compared to a net expense of $124 million in fiscal 2023. The higher expense in fiscal 2023 was mainly due to the reduction in the fair value of the Company's investment in preferred interests of Aireon LLC recorded in fiscal 2023.

The Company had a net income (before net movement in regulatory deferral accounts, including rate stabilization) of $81 million in fiscal 2024 as compared to a net income of $161 million in fiscal 2023.

The rate stabilization account (RSA) decreased from a debit balance (due from customers) of $342 million at the end of fiscal 2023 to a debit balance of $175 million at the end of fiscal 2024. The reduction in the RSA of $167 million was $65 million better than planned due to cost management activities, higher other revenue than expected, and shifts in timing of certain activities.

The Company had a free cash flow of $162 million in fiscal 2024 as compared to a free cash flow of $350 million in fiscal 2023. The decrease in free cash flow in fiscal 2024 was primarily driven by higher payments to employees and suppliers and higher capital expenditures as compared to fiscal 2023.

Pension Performance and Contributions

In fiscal 2024, our Company focused on implementing changes to the Pension Plan's liability hedging allocation and enhancing the risk-return profile of other asset classes. All asset classes delivered a positive performance during the fiscal year as global equities rallied and interest rates declined. While the lower interest rates put upward pressure on pension liabilities, the strong asset performance positively impacted the financial position of the Pension Plan as a whole.

The Plan remained in a surplus position on a going-concern basis. The Plan's solvency position has improved and remains above the threshold that would require the Company to make special cash payments to the Plan. The Company's contribution requirements for accruing benefits are projected to grow modestly as pension costs for increased staffing and wage levels are partially offset by more employees participating in the non-contributory, defined benefit terms applicable to new hires and management employees.

Corporate Governance

Board of Directors Structure and Composition

The Company's overall approach to corporate governance follows best practices and keeps pace with evolving requirements, including those under applicable securities legislation.

The Board is comprised of 15 directors, at least two-thirds of whom, including the President and CEO, are required to be Canadian citizens. One director (the President and CEO) is an employee of the Company. All other directors are "independent" directors as that term is defined in National Instrument 52-110 Audit Committees (NI 52-110).

NAV CANADA represents a unique consensus among the major stakeholders in Canada's civil air navigation system (the ANS) — the Government of Canada, the commercial air carriers, general aviation, and our unionized employees. Our governance structure reflects this consensus. All four of these major stakeholders are members of the Company together with a Director member (collectively, the Members).

The result is a board of directors where all stakeholder interests are represented but none dominates. The Board's committees are similarly constituted except for the Human Resources & Compensation Committee.

The five Members elect the directors as follows:

Member	Number of Directors
Government of Canada	3
Commercial Air Carriers	4
General Aviation	1
Labour Unions	2
Directors	4

The Board discharges its responsibilities directly and through committees. The Board holds five scheduled meetings each year and unscheduled meetings are held from time to time as required.

Our By-laws disqualify from directorship any person elected to the Parliament of Canada or any provincial legislature or territorial legislative assembly; federal, provincial or territorial government employees; and directors or employees of an entity that has a material interest as a supplier, client or customer of the ANS.

Every director and officer of the Company is required to sign and abide by our *Code of Conduct and Conflict of Interest Guidelines for Directors and Officers* (Code of Conduct).

Directors

Directors are elected for terms not exceeding three years, with terms expiring at the Company's annual meeting. No director, other than the President and CEO, may serve as a director for more than twelve years in total. Set out below is information on the current directors, including their Committee membership and meeting attendance records for fiscal 2024.

Michelle Savoy

Director, Chair of the Board*
Ontario, Canada
Elected by: Board of Directors
Director since: December 15, 2015
Current term expires: 2027

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Corporate Director.
Audit & Finance Committee**	2/2	
Corporate Governance Committee	4/4	
Transformation Committee**	2/2	
Human Resources & Compensation Committee**	9/9	
Pension Committee**	4/4	
Safety Committee	2/2	

*The Board elected Ms. Savoy to serve as the Chair of the Board on January 10, 2024. She also became a member of the Safety Committee and ceased being a member of each of the Human Resources & Compensation Committee and the Pension Committee on the same date.

***ex officio member.*

Kathy Baig

Director
Quebec, Canada
Elected by: Government of Canada
Director since: February 3, 2023
Current term expires: 2026

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Managing Director and Chief Executive Officer of École de technologie supérieure. Former Vice President, Business Development Operations Leader, Transportation at Stantec Inc. from November 2022 to May 2024. From June 2016 to June 2022, President of Ordre des Ingénieurs du Québec.
Audit & Finance Committee*	3/3	
Safety Committee*	2/2	
Transformation Committee	3/3	

** Ms. Baig joined the Safety Committee and the Pension Committee on January 10, 2024. She subsequently stopped serving as a member of each of the Audit & Finance Committee and the Pension Committee on January 31, 2024. No Pension Committee meetings were held while Ms. Baig was a member of that committee.*

Edward M. Barrett

Director, Chair of the Transformation Committee
New Brunswick, Canada
Elected by: Board of Directors
Director since: February 7, 2013
Current term expires: 2025*

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Co-CEO and Chair of Barrett Corporation.
Corporate Governance Committee**	3/3	
Human Resources & Compensation Committee	8/9	
Transformation Committee	3/3	

** At the completion of the Company's annual meeting in January 2025, Mr. Barrett will have served his 12-year maximum term on the Board.*

*** Mr. Barrett was a member of the Corporate Governance Committee until January 10, 2024.*

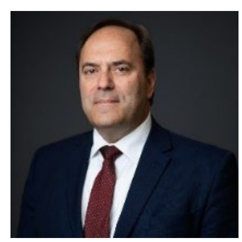
Raymond G. Bohn

Director
Ontario, Canada
Director since: February 1, 2021
Current term expires: N/A

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board Pension Committee Safety Committee	8/8 4/4 4/4	President and CEO of the Company from February 1, 2021. From September 1, 2020 to January 31, 2021, Mr. Bohn was Vice President & Chief Human Resources Officer. Mr. Bohn was Executive Vice President, Human Resources, Communications & Public Affairs from September 1, 2017 to August 31, 2020.

Michael DiLollo

Director, Chair of the Safety Committee
Ontario, Canada
Elected by: Commercial Air Carriers
Director since: February 7, 2013
Current term expires: 2025*



Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board Corporate Governance Committee Safety Committee	8/8 4/4 4/4	Managing Director, Capital Solutions at Caisse de dépôt et placement du Québec (CDPQ).
** At the completion of the Company's annual meeting in January 2025, Mr. DiLollo will have served his 12-year maximum term on the Board.*		

Peter Duffey

Director
Ontario, Canada
Elected by: Labour Unions
Director since: January 7, 2021
Current term expires: 2025

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	From May 2014 to June 2020, President & Chief Executive Officer of CATCA.
Pension Committee	4/4	
Safety Committee	4/4	
Transformation Committee	3/3	

Bonnie DuPont

Director, Chair of the Human Resources & Compensation Committee
Alberta, Canada
Elected by: Board of Directors
Director since: February 7, 2013
Current term expires: 2025*

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Corporate Director.
Corporate Governance Committee	4/4	
Human Resources & Compensation Committee	9/9	
Transformation Committee	3/3	

** At the completion of the Company's annual meeting in January 2025, Ms. DuPont will have served her 12-year maximum term on the Board.*

Marc Grégoire

Director
Quebec, Canada
Elected by: Government of Canada
Director since: May 13, 2019
Current term expires: 2025

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Corporate Director.
Human Resources & Compensation Committee	9/9	
Safety Committee*	4/4	
Transformation Committee*	2/2	

** Mr. Grégoire joined the Transformation Committee and the Corporate Governance Committee on January 10, 2024, at which time he ceased being a member of the Safety Committee. He subsequently stopped serving as a member of the Corporate Governance Committee on January 31, 2024. No Corporate Governance Committee meetings were held while Mr. Grégoire was a member of that committee.*

Lucie Guillemette

Director
Quebec, Canada
Elected by: Commercial Air Carriers
Director since: January 10, 2024
Current term expires: 2027

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	4/4	Corporate Director. From January 2017 to April 2023, Executive Vice President and Chief Commercial Officer at Air Canada.
Audit & Finance Committee	2/2	
Transformation Committee	2/2	

Kevin Howlett

Director, Chair of the Pension Committee
British Columbia, Canada
Elected by: Commercial Air Carriers
Director since: January 13, 2021
Current term expires: 2027

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Corporate Director.
Human Resources & Compensation Committee	9/9	
Pension Committee	4/4	

Davey Lewis

Director
British Columbia, Canada
Elected by: Labour Unions
Director since: January 12, 2022
Current term expires: 2025

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Corporate Director.
Audit & Finance Committee	5/5	
Corporate Governance Committee	4/4	

Candice Li

Director, Chair of the Audit & Finance Committee
Alberta, Canada
Elected by: Commercial Air Carriers
Director since: January 13, 2021
Current term expires: 2027

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board Audit & Finance Committee Pension Committee	8/8 5/5 4/4	Chief Financial Officer at Transdev Canada. From February 1, 2021 to August 26, 2022, Chief Financial Officer, and from July 27, 2020 to January 31, 2021, Executive Vice President, Finance at Benevity, Inc. (Benevity). Vice President, Finance at Attabotics Inc. from March 2020 to July 2020, and Vice President, Finance & Fleet Management at WestJet Airlines Ltd. (WestJet) from October 2015 to March 2020.

Sarah Morgan-Silvester

Director, Chair of the Corporate Governance Committee
British Columbia, Canada
Elected by: Board of Directors
Director since: January 11, 2023
Current term expires: 2026

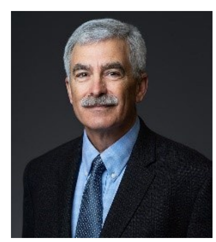
Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board Audit & Finance Committee Corporate Governance Committee* Human Resources & Compensation Committee Pension Committee **Ms. Morgan-Silvester joined the Corporate Governance Committee on January 10, 2024.*	8/8 5/5 1/1 9/9 4/4	Corporate Director.

Iain Stewart

Director
Ontario, Canada
Elected by: Government of Canada
Director since: January 23, 2024
Current term expires: 2027

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	4/4	Corporate Director. From October 2021 to January 2024, President of the National Research Council of Canada (NRC), and from September 2020 to October 2021, President of the Public Health Agency of Canada. President of the NRC from August 2016 to September 2020.
Audit & Finance Committee	2/2	
Corporate Governance Committee	1/1	
Pension Committee	2/2	

David Weger



Director
Saskatchewan, Canada
Elected by: General Aviation
Director since: January 10, 2018
Current term expires: 2027

Meeting Attendance / Committee Membership		Principal Occupation Held in Last Five Years
Board	8/8	Corporate Director.
Audit & Finance Committee	5/5	
Pension Committee*	2/2	
Safety Committee	4/4	

** Mr. Weger joined the Pension Committee on January 10, 2024.*

Gender Diversity and Board Committees

For information on gender diversity within the Company and the Board, and for descriptions of the Board's six committees, please refer to the 2024 Annual Information Form (AIF).

Director Compensation

Directors' Compensation Fiscal 2024			
Name	Fees Earned ($)	All Other Compensation[7] ($)	Total ($)
Kathy Baig	110,250	1,500	111,750
Edward Barrett	125,250	7,500	132,750
Raymond G. Bohn[1]	-	-	-
Paul Brotto[2]	62,625	-	62,625
Marc Courtois[3]	80,701	-	80,701
Michael DiLollo	125,250	1,500	126,750
Peter Duffey	110,250	1,500	111,750
Bonnie DuPont	132,750	7,250	140,000
Marc Grégoire	110,250	1,500	111,750
Lucie Guillemette[4]	70,572	1,500	72,072
Kevin Howlett	117,750	6,000	123,750
Davey Lewis	110,250	6,000	116,250
Candice Li	132,750	6,000	138,750
Sarah Morgan-Silvester	117,750	7,250	125,000
Michelle Savoy[5]	199,307	1,500	200,807
Iain Stewart[6]	66,635	1,500	68,135
David Weger	110,250	7,500	117,750

(1) As President and CEO, Mr. Bohn does not receive directors' fees.

(2) Mr. Brotto retired from the Board effective January 10, 2024.

(3) Mr. Courtois retired from the Board effective January 10, 2024.

(4) Ms. Guillemette joined the Board on January 10, 2024.

(5) Ms. Savoy receives an annual fee as Chair of the Board and no other additional fees for attendance of meetings. She is entitled to reimbursement for travel fees. As Chair of the Aireon Board, Ms. Savoy receives an annual retainer and fees for attendance of meetings.

(6) Mr. Stewart joined the Board on January 23, 2024.

(7) Includes travel fees paid to directors who are required to travel across two provinces for meetings, and per diems, which are paid when a director is required to conduct business on behalf of the Board other than attendance at seminars, trade association meetings, training, or for preparation for Board and/or committee meetings.

Executive Compensation

The executive compensation program at NAV CANADA consists of the following elements (referred to as the total compensation program):

- competitive base salary;
- short-term Executive Management Annual Incentive Plan (EMAIP);
- long-term Executive Long-Term Incentive Plan (LTIP) and Supplementary LTIP (S-LTIP);
- pension plan; and
- benefits and perquisites.

The compensation of executive officers of the Company (Executive Officers), other than the President and CEO, is recommended by the President and CEO and reviewed and approved by the Human Resources & Compensation Committee. The compensation of the President and CEO is recommended by the Human Resources & Compensation Committee and reviewed and approved by the Board.

Base salaries for all Executive Officers, including that of the President and CEO, are designed to be competitive and are determined on the basis of outside market data as well as individual performance, responsibilities and experience level. All Executive Officers receive base salaries. Base salaries are reviewed annually by the Human Resources & Compensation Committee.

Base salaries for fiscal 2024 for the five highest paid Executive Officers were as follows:

Name and Position	Annual Base Salary
Raymond G. Bohn President and CEO	$700,000
Donna Mathieu Vice President and Chief Financial Officer	$416,000
Mark Cooper Vice President, Chief Technology and Information Officer	$395,000

Diana Kelly Vice President and Chief Human Resources Officer	$314,000
Marie-Pier Berman Vice President and Chief of Operations	$290,000

Ethical Business Conduct

The Code of Conduct is designed to govern the conduct of all directors and officers, and the disclosure and avoidance of conflicts of interest. This disclosure is updated annually, or more frequently, as required. All of the Company's directors and officers have signed a Code of Conduct declaration. During fiscal 2024, no proceedings were taken against any director or officer by the Board under the Code of Conduct.

In addition, NAV CANADA has a *Code of Business Conduct* (Code of Business Conduct) which applies to all directors, officers and employees of the Company. Copies of both the Code of Conduct and the Code of Business Conduct are available on the Company's website and on SEDAR+ at www.sedarplus.com. The Corporate Governance Committee has responsibility for reviewing with the Board and management the results of an annual review of compliance with the Code of Conduct.

Directors and executive officers of the Company who hold office as a director, officer or elected official of another entity or who are an associate or employee of another entity that might be in conflict with their duty or interest towards the Company, must file a written declaration to this effect with the Company. No director or officer who is in such a position may participate in the consideration of any transaction or agreement in which such other entity has an interest.

The Code of Business Conduct, which applies to all employees, directors and officers of the Company, is reviewed and approved by the Board and complies with the requirements of National Policy 58-201 *Corporate Governance Guidelines*. The Board is committed to bringing the highest degree of honesty, integrity and ethical conduct to the Company's operations and business relationships. This commitment is reflected in the NAV CANADA vision and values, as well as in all dealings with employees, customers, bargaining agents, suppliers, and other stakeholders. The Code of Business Conduct describes how that commitment is put into everyday practice.

The Code of Business Conduct is not simply a list of rules. It is intended to help employees, directors and officers maintain the very high standard of ethical behaviour expected of a company entrusted with public safety. Throughout the Code of Business Conduct, employees, directors and officers are directed to appropriate internal review and redress mechanisms available within the Company to address specific situations and potential violations. Examples of internal review and redress mechanisms include the Alternate Dispute Resolution Process, the Workplace Accommodation Right of Review Process, the Official Languages Internal Complaints Procedure, the Harassment Occurrence Resolution Process, grievance processes available to unionized employees, and the Internal Complaints Resolution Process.

The Company has in place policies and processes on whistleblowing. The NAV CANADA whistleblowing system, called Sentinel, is confidential and independently managed, and has procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, auditing or pension plan matters, as well as reporting of serious ethical, legal, fraudulent or other concerns that could harm the reputation and/or financial standing of the Company. Sentinel ensures that employees have an outlet for reporting concerns relating to the Company that are not being addressed through existing channels. Concerns regarding accounting, internal controls or auditing matters are directed to the Chair of the Audit & Finance Committee; concerns relating to pension plan matters are directed to the Chair of the Pension Committee; and serious ethical, legal, fraudulent or other concerns are directed to the Chair of the Board.

In addition, the Company has a confidential safety reporting program, called ARGUS+, which provides employees with the opportunity to identify potential hazards while remaining anonymous. ARGUS+ ensures that employees who recognize a potential hazard can report their concerns confidentially. Every employee and manager is encouraged to use the ARGUS+ program, without fear of recrimination.

The Board, officers and management of the Company are committed to an active disclosure culture. The Company's Corporate Disclosure Policy (available on the Company's website) ensures communications to the investing public are timely, accurate, consistent, informative, compliant with legal and regulatory requirements and are broadly disseminated.

Advisory Committee

Message from the Chair of the NCAC

As Chair of the NAV CANADA Advisory Committee (NCAC), I am honored to provide an update on the key achievements of the past year and outline our priorities for the year ahead.

Reflecting on 2024

The past year was pivotal for NAV CANADA as it navigated critical priorities. Focused efforts on recruitment, enhanced training programs, and advanced technologies are welcomed by the committee and we anticipate these efforts will contribute to increased safety and service levels for customers.

Sustainability took centre stage in 2024, with milestones such as NAV CANADA's commitment to the Science-Based Targets initiative (SBTi) and active participation in Canada's Aviation Climate Action Plan. These initiatives have reinforced the organization's dedication to reducing aviation emissions, aligning with global sustainability benchmarks, and demonstrating leadership in environmental responsibility.

Technological modernization has also been a cornerstone of progress. Projects like the Vancouver Airspace Modernization and the implementation of digital aerodrome air traffic services (DAATS) in Kingston will redefine future operational capabilities.

Priorities for 2025

As we enter 2025, the NCAC remains focused on collaborating with NAV CANADA to address industry challenges and seize emerging opportunities. Our priorities center on three key themes:

1. **People and Workforce Development**
   Addressing staffing needs and fostering a culture of innovation remain top priorities. NAV CANADA's success depends on its people, and initiatives like the partnership between CAE and NAV CANADA and "Leaders of the Future" are essential for building a safe, resilient and skilled workforce.

2. **Technological Innovation and Operational Resilience**
   The continued rollout of modernization initiatives, such as trajectory-based operations, space-based surveillance, and digital air traffic services, will drive operational efficiency and safety. The NCAC is committed to supporting these advancements by evaluating their impact, ensuring alignment with safety standards, and providing recommendations for their implementation.

3. **Sustainability and Environmental Leadership**
   NAV CANADA's commitment to environmental action continues to be critical. The NCAC will support ongoing efforts to optimize flight paths, leverage data-driven emission-reduction

strategies, and align with global sustainability goals. These efforts reflect the organization's pledge to reduce its carbon footprint while maintaining operational excellence.

Collaborative Engagement

In 2025, the NCAC will continue its structured engagement plan with three key meetings: an in-person session during the AGM in Ottawa, a facility tour in Montreal in June, and an online session in alignment with the Board's Safety Committee meeting in October. These engagements will ensure a consistent dialogue with the Board and NAV CANADA leadership, enabling us to adapt to the dynamic needs of the industry.

Commitment to Excellence

The NCAC remains dedicated to its mission of supporting NAV CANADA in achieving the highest standards of safety, sustainability, and innovation. On behalf of the NCAC, I thank NAV CANADA's leadership and employees for their unwavering commitment to advancing the organization's strategic objectives and positioning it as a global leader in air navigation.

We look forward to collaborating with the Board and stakeholders in the year ahead as we continue to ensure safe, efficient, and sustainable skies for all.

Sincerely,

(Signed) "Anthony Norejko"

Anthony Norejko

Chair, NAV CANADA Advisory Committee

Advisory Committee 2024

Member	Nominating Association
Anthony Norejko – Chairman Canadian Business Aviation Association	Non-Commercial User Association
Robert Astwood – Vice Chair Manitoba Aviation Council	Regional Aviation Associations
Heather Bell – Secretary British Columbia Aviation Council	Regional Aviation Associations
Doug Francoeur Alberta Aviation Council	Regional Aviation Associations
Bernard Gervais Northern Air Transport Association	Regional Aviation Associations
Jeff Halstrom Saskatchewan Aviation Council	Regional Aviation Associations
Kathleen Henderson Canadian Airports Council	National Airports Association
Les Aalders Air Transport Association of Canada	Air Transport Association of Canada
Jeff Miller International Air Transport Association	Foreign Air Operators Associations
Jeff Rehaluk Airlines for America	Foreign Air Operators Associations
Capt. Rod Graham National Airlines Council of Canada	National Airlines Council of Canada
Trevor Mitchell Helicopter Association of Canada	National Helicopter Association
Peter Black Air Line Pilots Association, International	Professional Pilots Associations

Capt. Daniel Cadieux Air Canada Pilots Association	Professional Pilots Associations
James (Jim) Ferrier Canadian Owners and Pilots Association	Recreational, Non-Commercial Aviation Association
Duane Riddell Airport Management Council of Ontario	Regional Airports Associations
Nick von Schoenberg Canadian Air Traffic Controllers Association (CATCA), Unifor Local 5454	Unions
Paul Cameron International Brotherhood of Electrical Workers (IBEW), Local 2228	Unions
Elizabeth O'Hurley Air Traffic Specialists Association of Canada (ATSAC), Unifor Local 2245	Unions
William Stewart Regional Community Airports of Canada	Member-at-Large

Officers and Other Information

Raymond G. Bohn
President and Chief Executive Officer

Marie-Pier Berman
Vice President and Chief of Operations

Mark Cooper
Vice President, Chief Technology and Information Officer

Diana Kelly
Vice President and Chief Human Resources Officer

Anthony MacKay
Vice President, Chief Safety and Quality Officer

Donna Mathieu
Vice President and Chief Financial Officer

Amanda Sarginson
Vice President and Chief Legal Officer

As of August 31, 2024.

To learn more about NAV CANADA's Executive Team and Corporate Governance, visit our website at www.navcanada.ca.

Legal Counsel

Gowling WLG (Canada) LLP

Auditors

KPMG LLP

Bankers

Royal Bank of Canada

Additional Information

Inquiries for additional information relating to the Company should be directed to:

NAV CANADA
Communications
communicationsnav@navcanada.ca

General inquiries can also be made by calling 1-800-876-4693, or by email to service@navcanada.ca.

Copies of the Company's Financial Statements, Management Discussion and Analysis, and Annual Information Form are available on the System for Electronic Document Analysis and Retrieval Plus (SEDAR+) at www.sedarplus.ca.

Notice of Annual Meeting

The Annual Meeting of the Members of NAV CANADA will be held on Wednesday, January 8, 2025, in Ottawa, Ontario.

MANAGEMENT'S REPORT AND

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NAV CANADA

AS AT AND FOR THE YEARS ENDED **AUGUST 31, 2024** AND **2023**

Serving a world in motion
navcanada.ca

MANAGEMENT’S REPORT TO THE MEMBERS OF NAV CANADA

These consolidated financial statements are the responsibility of management and have been approved by the Board of Directors of NAV CANADA (the Company). These consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards and include amounts that are based on estimates of the expected effects of current events and transactions, with appropriate consideration to materiality, judgments and financial information determined by specialists. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevance of information to be included, and make estimates and assumptions that affect reported information.

Management has also prepared a Management’s Discussion and Analysis (MD&A), which is based on the Company’s financial results prepared in accordance with IFRS Accounting Standards. It provides information regarding the Company’s financial condition and results of operations and should be read in conjunction with these consolidated financial statements and accompanying notes. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because events and circumstances in the future may not occur as expected.

Management has developed and maintains a system of internal control over financial reporting and disclosure controls, including a program of internal audits. Management believes that these controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements, and we have signed certificates as required by National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* in this regard. The internal accounting control process includes management’s communication to employees of policies that govern ethical business conduct.

The Board of Directors has appointed an Audit & Finance Committee that is composed of directors who are independent of the Company and to which the Board of Directors has delegated responsibility for oversight of the financial reporting process. The Audit & Finance Committee meets at least four times during the year with management and independently with each of the internal and external auditors and as a group to review any significant accounting, internal control and auditing matters. The Audit & Finance Committee reviews the consolidated financial statements, MD&A and Annual Information Form before these are submitted to the Board of Directors for approval. The internal and external auditors have free access to the Audit & Finance Committee.

With respect to the external auditors, the Audit & Finance Committee approves the terms of engagement and reviews the annual audit plan, the Independent Auditor’s Report and the results of the audit. It also recommends to the Board of Directors the firm of external auditors to be appointed by the Members of the Company.

The independent external auditors, KPMG LLP, have been appointed by the Members to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Company’s financial position, results of operations and cash flows in accordance with IFRS Accounting Standards. The report of KPMG LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

(Signed) “Raymond G. Bohn”
Raymond G. Bohn
President and Chief Executive Officer
October 24, 2024

(Signed) “Donna Mathieu”
Donna Mathieu
Vice President and Chief Financial Officer
October 24, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of NAV CANADA:

Opinion

We have audited consolidated financial statements of NAV CANADA (the Entity), which comprise:

- the consolidated statements of financial position as at August 31, 2024 and August 31, 2023
- the consolidated statements of operations for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2024 and August 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(Signed) KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada
October 24, 2024

NAV CANADA
Consolidated Statements of Operations

Years ended August 31 (millions of Canadian dollars)	Note	2024	2023
Revenue			
Customer service charges	4	**$ 1,760**	$ 1,723
Other revenue		**40**	55
		1,800	1,778
Operating expenses			
Salaries and benefits	5	**1,166**	1,037
Technical services		**192**	164
Facilities and maintenance		**62**	64
Depreciation and amortization	10, 11	**143**	144
Other	15	**75**	84
		1,638	1,493
Other (income) and expenses			
Finance income	6	**(39)**	(28)
Net interest expense relating to employee benefits	14	**36**	40
Other finance costs	6	**83**	119
Other		**-**	(7)
		80	124
Net income, before income tax and net movement in regulatory deferral accounts		**82**	161
Income tax expense		**1**	-
Net income, before net movement in regulatory deferral accounts		**81**	161
Net movement in regulatory deferral accounts related to net income (loss), net of tax	7	**(81)**	(161)
Net income (loss), after net movement in regulatory deferral accounts	1	**$ -**	$ -

See accompanying notes to consolidated financial statements.

NAV CANADA
Consolidated Statements of Comprehensive Income (Loss)

Years ended August 31 (millions of Canadian dollars)	Note	2024	2023
Net income (loss), after net movement in regulatory deferral accounts		**$ -**	$ -
Other comprehensive income (loss)			
Items that will not be reclassified to income or (loss)			
Re-measurements of employee defined benefit plans	14	**74**	208
Net movement in regulatory deferral accounts related to other comprehensive income (loss)	7	**(74)**	(208)
		-	-
Items that will be reclassified to income or (loss)			
Amortization of net losses on cash flow hedges		**2**	2
Change in fair value of cash flow hedges		**-**	(1)
Net movement in regulatory deferral accounts related to other comprehensive income (loss)	7	**(2)**	(1)
Total other comprehensive income (loss)		**-**	-
Total comprehensive income (loss)	1	**$ -**	$ -

See accompanying notes to consolidated financial statements.

NAV CANADA
Consolidated Statements of Financial Position

As at August 31 (millions of Canadian dollars)	Note	2024	2023
Assets			
Current assets			
Cash and cash equivalents		**$ 647**	$ 586
Accounts receivable and other	8	**143**	153
Investments	9	**81**	176
Other		**24**	15
		895	930
Non-current assets			
Property, plant and equipment	10	**733**	736
Intangible assets	11	**703**	702
Investment in preferred interests	12	**203**	203
Long-term receivables	8	**26**	50
Employee benefits	14	**1**	4
		1,666	1,695
Total assets		**2,561**	2,625
Regulatory deferral account debit balances	7	**1,139**	1,213
Total assets and regulatory deferral account debit balances		**$ 3,700**	$ 3,838

See accompanying notes to consolidated financial statements.

NAV CANADA
Consolidated Statements of Financial Position

As at August 31 (millions of Canadian dollars)	Note	2024	2023
Liabilities			
Current liabilities			
Trade and other payables		**$ 270**	$ 269
Current portion of long-term debt	13	**16**	201
Deferred revenue		**3**	3
Other	15	**9**	7
		298	480
Non-current liabilities			
Long-term debt	13	**2,139**	2,153
Employee benefits	14	**749**	760
Lease liability	17	**35**	36
Other	15	**7**	20
		2,930	2,969
Total liabilities		**3,228**	3,449
Equity			
Retained earnings		**28**	28
Total equity		**28**	28
Total liabilities and equity		**3,256**	3,477
Regulatory deferral account credit balances	7	**444**	361
Commitments and contingencies	17, 18		
Total liabilities, equity and regulatory deferral account credit balances		**$ 3,700**	$ 3,838

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) "Michelle Savoy"
Michelle Savoy, Director

(Signed) "Candice Li"
Candice Li, Director

NAV CANADA
Consolidated Statements of Changes in Equity

(millions of Canadian dollars)	Retained earnings	Accumulated other comprehensive income	Total
Balance August 31, 2022	$ 28	$ -	$ 28
Net income (loss), after net movement in regulatory deferral accounts	-	-	-
Other comprehensive income (loss)	-	-	-
Balance August 31, 2023	$ 28	$ -	$ 28
Balance August 31, 2023	**$ 28**	**$ -**	**$ 28**
Net income (loss), after net movement in regulatory deferral accounts	**-**	**-**	**-**
Other comprehensive income (loss)	**-**	**-**	**-**
Balance August 31, 2024	**$ 28**	**$ -**	**$ 28**

See accompanying notes to consolidated financial statements.

NAV CANADA
Consolidated Statements of Cash Flows

Years ended August 31 (millions of Canadian dollars)	Note	2024	2023
Cash flows from (used in)			
Operating			
Receipts from customer service charges		**$ 1,777**	$ 1,776
Other receipts		**55**	63
Government grants received		**1**	2
Payments to employees and suppliers		**(1,339)**	(1,212)
Pension contributions - current service	14	**(86)**	(79)
Other post-employment payments	14	**(7)**	(8)
Interest payments		**(75)**	(80)
Interest receipts		**37**	23
		363	485
Investing			
Capital expenditures		**(199)**	(128)
Investment in regulatory assets		**(13)**	(10)
Government grants received		**15**	6
Proceeds from (purchase of) short-term investments		**98**	(19)
Income tax payments on investment in preferred interests		**(1)**	-
		(100)	(151)
Financing			
Repayment of long-term debt	13	**(201)**	(16)
Repurchase of long-term debt	13	**-**	(125)
Payment of lease liabilities		**(3)**	(3)
		(204)	(144)
Cash flows from operating, investing and financing activities		**59**	190
Effect of foreign exchange on cash and cash equivalents		**2**	4
Increase in cash and cash equivalents		**61**	194
Cash and cash equivalents at beginning of year		**586**	392
Cash and cash equivalents at end of year		**$ 647**	$ 586

See accompanying notes to consolidated financial statements.

1. General information

NAV CANADA was incorporated as a non-share capital corporation pursuant to Part II of the *Canada Corporations Act* to acquire, own, manage, operate, maintain and develop the Canadian civil air navigation system (the ANS), as defined in the *Civil Air Navigation Services Commercialization Act* (the ANS Act). NAV CANADA has been continued under the *Canada Not-for-profit Corporations Act*. The fundamental principles governing the mandate conferred on NAV CANADA by the ANS Act include the right to provide civil air navigation services and the exclusive ability to set and collect customer service charges for such services. NAV CANADA and its subsidiaries' (collectively, the Company) core business is to provide air navigation services, which is the Company's only reportable segment. The Company's air navigation services are provided primarily within Canada.

The charges for civil air navigation services provided by the Company are subject to the economic regulatory framework set out in the ANS Act. The ANS Act provides that the Company may establish new charges and amend existing charges for its services. In establishing new charges or revising existing charges, the Company must follow the charging principles set out in the ANS Act. These principles prescribe that, among other things, charges must not be set at levels which, based on reasonable and prudent projections, would generate revenue exceeding the Company's current and future financial requirements in relation to the provision of civil air navigation services. Pursuant to these principles, the Board of Directors of the Company (the Board), acting as rate regulator, approves the amount and timing of changes to customer service charges.

The Company plans its operations to result in an annual financial breakeven position on the consolidated statements of operations after recording adjustments to the rate stabilization account. As a result, the Company expects no net change in retained earnings on an annual basis. The impacts of rate regulation on the Company's audited consolidated financial statements (the financial statements) are described in note 7.

The ANS Act requires that the Company communicate proposed new or revised charges to customers in advance of their introduction and to consult thereon. Customers may make representations to the Company as well as appeal revised charges to the Canadian Transportation Agency on the grounds that the Company either breached the charging principles in the ANS Act or failed to provide statutory notice.

NAV CANADA is domiciled in Canada. The address of NAV CANADA's registered office is 151 Slater Street, Ottawa, Ontario, Canada K1P 5H3.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

These financial statements include the accounts of all NAV CANADA subsidiaries and were authorized for issue by the Board on October 24, 2024.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items:

- financial instruments that are classified as fair value through profit or loss (FVTPL), which are measured at fair value; and
- defined benefit liabilities that are recognized as the net of the present value of defined benefit obligations and plan assets measured at fair value.

(c) Functional and reporting currency

These financial statements are presented in Canadian dollars (CDN), which is the Company's functional and reporting currency and all information presented has been rounded to the nearest million dollars, unless otherwise indicated.

2. Basis of presentation (continued)

(d) Critical accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments about the future.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal actual results. The following discussion sets forth management's:

- most critical judgments in applying accounting policies; and
- most critical estimates and assumptions in determining the value of assets and liabilities.

(i) Key sources of estimates and assumption uncertainties

- Fair value of investment in preferred interests

  The Company's investment in preferred interests in Aireon Holdings LLC (together with its wholly-owned subsidiary Aireon LLC, "Aireon") represents a financial asset designated as FVTPL. Aireon is a privately owned entity with a few historic transactions with interest holders and is therefore, an illiquid, unquoted investment with no readily available market price. Therefore, the calculation of fair value involves the use of significant assumptions and estimates with respect to a variety of factors including the selection of an appropriate discount rate and the timing of the dividend payment assumption used in the valuation approach as described in note 12. The assumptions are based on Aireon's most recent Long Range Forecast (LRF), the Company's assessment of that forecast and a discount rate based on the Capital Asset Pricing Model, using the best information available as of August 31, 2024. There can be no assurance that the estimates and assumptions used in the fair value determination will prove to be accurate predictions of the future and management may be required to record material adjustments to fair value.

- Employee benefits

  Defined benefit plans, other long-term employee benefits, termination benefits, and short-term employee benefits require significant actuarial assumptions to estimate the future benefit obligations and performance of plan assets. Assumptions include compensation, the retirement ages and mortality assumptions related to employees and retirees, health-care costs, inflation, discount rate, expected investment performance and other relevant factors. The Company consults with an actuary regarding these assumptions at least on an annual basis. Due to the long-term nature of these benefit programs, these estimates are subject to significant uncertainty and actual results can differ significantly from the Company's recorded obligations.

  The majority of the Company's employees are unionized with collective agreements in place. At times, one agreement expires before another is in place. Management is required to estimate the total employee cost for services rendered for the period, and as a result must estimate the retroactive impact of collective agreements when they are finalized. Management's estimate is based on, but not limited to, actual agreements expired, historical experience, number of employees affected and current salaries of those employees.

(e) New standards, amendments and interpretations adopted

The following new standards, amendments or interpretations that impact the Company's financial statements have been adopted effective September 1, 2023:

IAS 1 Disclosure of Accounting Policies

In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The Company assessed the impact of the amendments upon adoption and note 3 Material Accounting Policies has been updated to reflect the new requirements.

2. Basis of presentation (continued)

(f) Future accounting pronouncements

The IASB has issued a number of standards and amendments in the fiscal year that are not yet effective. The Company continues to analyze these standards and amendments to determine the extent of their impact on its financial statements. At this time, the Company does not expect to adopt any of these standards or amendments before their effective dates.

IFRS 18 Primary Financial Statements

In April 2024, the IASB issued *IFRS 18 Presentation and Disclosure in Financial Statements* to replace *IAS 1 Presentation of Financial Statements*. The new standard will improve the quality of financial reporting by requiring defined subtotals in the statement of profit or loss, requiring disclosure about management-defined performance measures; and adding new principles for aggregation and disaggregation of information. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. The extent of the impact of the amendments on the Company's financial statements has not yet been determined.

IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. The amendments relate to the settling of financial liabilities using electronic payment systems, and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance linked features. Amendments were also made to the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The extent of the impact of the amendments on the Company's financial statements has not yet been determined.

Annual Improvements to IFRS Accounting Standards

In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11, which contains amendments to Hedge Accounting by a First-time Adopter (Amendments to IFRS 1), Gain or Loss on Derecognition (Amendments to IFRS 7), Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing IFRS 7), Determination of a 'De Facto Agent' (Amendments to IFRS 10), Derecognition of Lease Liabilities (Amendments to IFRS 9) and Cost Method (Amendments to IAS 7). The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The extent of the impact of the amendments on the Company's financial statements has not yet been determined.

3. Material accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an investee when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company. All intercompany balances and transactions are eliminated on consolidation.

3. Material accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The financial statements of the Company include the following subsidiaries:

Name of subsidiary	Principal place of business and country of incorporation	Percentage ownership
NAV CANADA Inventory Holding Company Inc.	Canada	100%
NAV CANADA ATM Inc.	Canada	100%
NAV CANADA Satellite, Inc.	United States	100%
NCPP Investment Holding Company Inc.	Canada	100%

(ii) Investments in associates

Associates are entities over which the Company is able to exert significant influence but which are not subsidiaries.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the participant's share of the net income (loss) and other comprehensive income (OCI) of equity-accounted investees, until the date on which significant influence ceases. The Company's investment in an equity-accounted investee is reduced for distributions received during the fiscal year.

If the Company's share of losses of an equity-accounted investee equals or exceeds its interest in the equity-accounted investee, the Company discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized only to the extent the Company has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investee.

(b) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at that date. Non-monetary assets and liabilities denominated in a foreign currency, which are accounted for at historical cost are translated using the rate in effect at the date of the initial transaction. Foreign currency gains and losses are reported on a net basis in net income (loss) within other income and expenses, except for designated cash flow hedges that are recognized in OCI.

(c) Financial instruments

(i) Recognition

Financial assets and financial liabilities including derivatives are recorded when the Company becomes party to the contractual provisions of the financial instruments.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3. Material accounting policies (continued)

(c) Financial instruments (continued)

(ii) Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL; and
- those to be measured subsequently at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL.

(iii) Measurement

All financial instruments, other than trade receivables without a significant financing component, are required to be measured at fair value on initial recognition. If a financial asset or financial liability is not subsequently measured at FVTPL, then the initial measurement includes transaction costs that are directly attributable to the acquisition or issue of the instrument.

Trade receivables without a significant financing component are initially measured at the transaction price.

The Company's business model objective is to collect contractual cash flows and the contractual cash flows are solely payments of principal and/or interest, and as such financial assets are generally subsequently measured at amortized cost using the effective interest method net of any impairment loss. All other financial assets are measured at fair value with changes, including any interest or dividend income recognized in net income (loss) or OCI. The Company currently has no financial assets measured at fair value through OCI.

Financial liabilities are generally subsequently measured at amortized cost using the effective interest method unless they are held for trading, they are derivatives or they have been designated as those to be measured subsequently at FVTPL. The Company has not designated any financial liabilities as measured at FVTPL.

(iv) Impairment

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated statements of financial position if they relate to a financial asset measured at amortized cost. For trade receivables, the Company applies the simplified approach as permitted by IFRS 9 *Financial Instruments* (IFRS 9) which requires lifetime expected credit losses be recognized from initial recognition of receivables. The carrying amount of these assets in the consolidated statements of financial position is stated net of any loss allowance.

(v) Derivatives and hedge accounting

Derivatives are initially recognized and subsequently re-measured at fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the item being hedged and the type of hedge relationship designated. Changes in the fair value of derivative financial instruments designated as hedging instruments in cash flow hedging relationships are recognized in OCI. Changes in the fair value of derivative financial instruments that have not been designated are recognized through net income (loss) as they arise.

3. Material accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derivatives and hedge accounting (continued)

The Company uses derivative financial instruments to manage risks from fluctuations in foreign exchange rates. The Company's derivative assets and liabilities consist of foreign exchange forward agreements. The fair values of these derivatives are calculated by discounting expected future cash flows based on current forward exchange rates.

Where permissible, the Company accounts for these financial instruments as cash flow hedges, which ensures that counterbalancing gains and losses are recognized in income in the same period as the hedged item. On initial designation of the hedge, the relationship between the hedged item and the hedging instrument is formally documented, including the Company's risk management objectives and strategies for undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The effectiveness of the hedging relationship is assessed at inception of the contract related to the hedging item and then again at each reporting date to ensure the relationship is and will remain effective. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability of cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net income (loss), the effective portion of the change in fair value of the derivative is recognized in OCI and presented as part of equity. The amount recognized in OCI is transferred to net income (loss) under the same line item in the statement of operations as the hedged item, in the same period or periods as the hedged cash flows affect net income (loss). Any ineffective portion is recognized immediately in net income (loss).

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in OCI remains in equity until the anticipated transaction impacts net income (loss). If the forecasted transaction is no longer expected to occur, then the balance accumulated in equity is recognized immediately in net income (loss).

(d) Employee benefits

(i) Defined benefit plans

The defined benefit obligation and estimated costs of the Company's defined benefit pension plans and other post-employment benefits are calculated annually by a qualified actuary using the projected unit credit method. The actuarial calculations are performed using management's estimates of expected investment performance, compensation, the retirement ages of employees, mortality rates, health-care costs, inflation and other relevant factors. The discount rate is determined using the yield at the reporting date on high quality Canadian corporate bonds that have maturity dates approximating the terms of the Company's obligations. The funded status of the plan, or defined benefit asset or liability, corresponds to the future benefits employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Defined benefit assets or liabilities are presented as non-current items in the statement of financial position.

The Company recognizes all actuarial gains and losses on the plan assets (excluding interest) in OCI in the period in which they are incurred, with no subsequent reclassification to net income (loss). The Company has made a policy choice to reclassify adjustments in OCI to retained earnings.

3. Material accounting policies (continued)

(d) Employee benefits (continued)

(i) Defined benefit plans (continued)

The service costs of employee benefits are presented in salaries and benefits. The interest arising on net benefit obligations is recognized in net income (loss) and is presented as net interest costs relating to employee benefits. A portion of these employee benefit costs are allocated to the cost of assets under development.

When benefits are amended, the portion of the changed benefit relating to past service by employees is recognized in net income (loss) immediately. Gains and losses on curtailments or settlements are recognized in net income (loss) in the period in which the curtailment or settlement occurs.

The Company's registered pension plan is subject to minimum funding requirements. The liability in respect to minimum funding requirements is determined using the projected minimum funding requirements based on management's best estimates of the actuarially determined funded status of the plan, market discount rates, salary escalation estimates, the Company's ability to take contribution holidays and its ability to use letters of credit to secure solvency special payments revealed by funding actuarial valuations.

When the funded status of a plan results in an asset (a plan surplus), the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. The Company recognizes any adjustments to this limit in OCI in the period incurred, with no subsequent reclassification to net income (loss).

(ii) Other long-term employee benefits

The Company provides other long-term benefits to its employees, including accumulating sick leave benefits (vesting and non-vesting) and long-term executive incentive plan benefits. The same methodology and management estimates are used to value these other long-term benefits as in the defined benefit plans; however actuarial gains and losses are included in net income (loss) in the period when they occur. The Company also provides long-term disability (LTD) benefits, which are insured and funded through reserves held by the insurance carriers. Management estimates are based on the insurers' assumptions and methodology used to calculate reserves. The net amount of long-term employee benefit expense is presented with salaries and benefits net of any costs allocated to assets under development.

(iii) Termination benefits

Termination benefits are recognized as an expense in net income (loss) when the Company has committed to either terminate employment or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits for voluntary departures are recognized as an expense when it is probable that a voluntary departure offer will be accepted and the number of acceptances can be estimated. When benefits are payable more than 12 months after the reporting date, they are discounted.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis, taking into account the additional amount the Company expects to pay as a result of the unused entitlement at the reporting date. Expenses are recognized in net income (loss) as the services are provided. Short-term employee benefits include salaries, health, dental, vacation and other leave.

3. Material accounting policies (continued)

(e) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses, if applicable. The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of assets under development includes the cost of materials, direct labour and employee benefits, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located when a legal commitment or constructive obligation exists for them.

Costs subsequent to initial recognition are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and its cost can be measured reliably. Repairs and maintenance costs are recorded in the statement of operations during the period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as components of property, plant and equipment and are depreciated separately. Depreciation begins when construction is complete and the asset is available for use. Land and assets under development are not depreciated. Depreciation on other assets is recognized in the statement of operations on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life (years)
Buildings	15 to 40
Systems and equipment	3 to 25

Estimated useful lives, residual values and depreciation methods are reviewed, and adjusted prospectively if appropriate, at each reporting date.

An item of property, plant and equipment is derecognized upon disposal, replacement or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is determined by comparing the proceeds from disposal to the carrying amount of the asset. Such gains and losses are recognized in the statement of operations in the period in which the asset is derecognized.

<u>Other contributions to property, plant and equipment</u>

Amounts received from third parties, with whom the Company does not have a customer relationship, related to the installation, development or construction of property, plant and equipment, are deducted from the carrying amount of the asset.

(f) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if applicable. The cost of intangible assets includes the cost of materials, direct labour and employee benefits, and any other costs that are directly attributable to preparing the asset for its intended use.

An internally-developed intangible asset arising from development is recognized if all of the following criteria for recognition have been met: technical feasibility of completing the asset, intent and ability to complete the asset, intent and ability to use or sell the asset, determination on how the intangible asset will generate future benefits, availability of technical, financial and other resources to complete the development and to use or sell the asset, and ability to reliably measure attributable expenditures. Research costs are expensed in the statement of operations as incurred.

Costs subsequent to initial recognition are capitalized only when they increase the future economic benefits embodied in the specific assets to which they relate, and the expenditures can be measured reliably; otherwise they are recorded within operating expenses in the statement of operations.

3. Material accounting policies (continued)

(f) Intangible assets (continued)

The Company has the right under the ANS Act to provide civil air navigation services and the exclusive ability to set and collect customer service charges for such services. While the ANS Act does not limit the duration of these rights, for accounting purposes the Company's air navigation right will be fully amortized by 2042, which is the recovery period established by the Board, acting as the rate regulator.

Amortization of other intangible assets begins when development is complete and/or the asset is available for use. It is amortized over the period of expected future benefit. Amortization of intangible assets is recognized in the statement of operations on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life (years)
Air navigation right	46
Purchased software	5 to 20
Internally-developed software	5 to 20

Intangible assets under development are not amortized.

Estimated useful lives, residual values and amortization methods are reviewed, and adjusted prospectively if appropriate, at each annual reporting date.

An intangible asset is derecognized upon disposal, replacement or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition is determined by comparing the proceeds from disposal to the carrying amount of the asset. Such gains and losses are recognized in the statements of operations as other income or expense in the period in which the asset is derecognized.

(g) Impairment of non-financial assets

At each reporting date, the Company reviews its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If so, the assets' recoverable amount is estimated. Assumptions in assessing the recoverable amount of the air navigation right relate to the continuing right to provide civil air navigation services and the exclusive ability to set and collect customer service charges for such services. If changes in any such expectations arise, impairment charges may be required which could materially impact operating results. Assets under development are tested annually for impairment.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting estimated future cash flows, adjusted for risks specific to the liability, using a risk-free rate that reflects current market assessments of the time value of money. Increases in the provision due to the passage of time (the unwinding of the discount) are recognized as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect current estimates.

Decommissioning liabilities are recognized when the Company has a legal or constructive obligation to dismantle and remove an asset and restore the site on which the asset is located. When the liability is initially recorded, an equivalent amount is capitalized as an inherent cost of the associated buildings, systems or equipment. All changes in the decommissioning provision resulting from changes in the estimated future costs or significant changes in the discount rate are added to or deducted from the cost of the related asset in the current period. The capitalized cost is depreciated over the useful life of the capital asset.

3. Material accounting policies (continued)

(i) Regulatory deferral accounts

The timing of recognition of certain revenue and expenses differs from what would otherwise be expected for companies that are not subject to regulatory statutes governing the level of their charges, the effect of which is described in note 7.

The Company's approach to determining the level of customer service charges is based upon the charging principles set out in the ANS Act which prescribe, among other things, that charges must not be set at levels which, based on reasonable and prudent projections, would generate revenues exceeding the Company's current and future financial requirements in relation to the provision of civil air navigation services. Pursuant to these principles, the Board, acting as rate regulator, approves the amount and timing of changes to customer service charges.

In January 2014, the IASB issued IFRS 14 *Regulatory Deferral Accounts* (IFRS 14) as an interim standard, permitting entities conducting rate-regulated activities to continue to recognize regulatory deferral account balances according to their previous generally accepted accounting principles. IFRS 14 is restricted to first-time adopters of IFRS Accounting Standards and remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting. The Company recognized regulatory deferral account balances in its Canadian GAAP financial statements prior to adopting IFRS Accounting Standards and elected to early adopt this standard as of September 1, 2014 when it adopted IFRS Accounting Standards.

In order to mitigate the effect on its operations of unpredictable and uncontrollable factors, principally unanticipated fluctuations in air traffic levels, the Company maintains a rate stabilization mechanism. Amounts are added to or deducted from the rate stabilization account based upon variations from amounts used when establishing customer service charges. In addition, for certain transactions where the timing of the cash flows differs significantly from the accounting recognition, the Company recognizes other regulatory deferral amounts in order to defer the accounting recognition to the period in which they will be considered for rate setting. These transactions are generally considered for rate setting when the amounts are expected to be realized in cash, with the exception of the cash flows related to hedging instruments, which are considered for rate setting in the same period as the underlying hedged transaction.

Regulatory deferral account balances are anticipated to either be returned or recovered through the Company's customer service charges as approved by the rate regulator per the charging principles set out in the ANS Act. To determine whether there is any indication that regulatory deferral account assets are impaired, the Company reviews its ability to recover regulatory deferral account balances through future customer service charges for the provision of civil air navigation services as defined by the ANS Act.

(j) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and is recognized as the Company satisfies the performance obligations in the contract and transfers control over a product or service to a customer.

(i) Customer service charges

The majority of the Company's revenues are from customer service charges for air navigation services. Revenue is recognized as air navigation services are rendered. Rates for customer service charges are those approved by the Board, acting as rate regulator.

Refunds of customer service charges are recognized when approved by the Board, acting as rate regulator, or when a constructive obligation exists.

The Company's general payment terms provide for payment periods of thirty days for air navigation services, but shorter payment terms are imposed where customer circumstances warrant. Our credit policies also require payments in advance or satisfactory security to be posted under certain circumstances.

3. Material accounting policies (continued)

(j) Revenue (continued)

(ii) Service and development contracts

Revenue is recognized as services are rendered. Revenue from a contract to provide services is generally recognized on a straight line basis over the period of service.

In general, revenue for development contracts is recognized as performance obligations are satisfied over time. Revenue is recognized by reference to the stage of completion of the contract activity at the end of the reporting date, measured using the cost-to-cost measure of progress. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In some cases, revenue is recognized at a point in time, when performance obligations are satisfied; typically upon completion of the contract.

When management determines that it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Contract balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable or unbilled receivables (accounts receivable and other), and customer advances and deposits (deferred revenue) on the consolidated statements of financial position.

Customer service charges are billed on a monthly basis in line with revenue recognition, resulting in accounts receivable. The exception to this are annual / quarterly charges, which generally apply to propeller aircraft and are billed annually or quarterly and deferred and recognized over the period in which services are rendered, resulting in deferred revenue.

For service and development contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Depending on the timing of revenue recognition in relation to billing, it may result in accrued or deferred revenue.

3. Material accounting policies (continued)

(k) Income taxes

(i) Current taxes

NAV CANADA is exempt from Canadian income taxes as it meets the definition of a not-for-profit organization under the *Income Tax Act (Canada)* (ITA); however its subsidiaries operating in Canada and branches in other jurisdictions are subject to taxation.

(ii) Deferred taxes

Deferred tax assets and liabilities are recognized for the tax effect of the difference between carrying values and the tax bases of assets and liabilities. Deferred tax assets are recognized for deductible temporary differences, for unused tax losses and income tax reductions to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are recognized for the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets and liabilities are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit or liability will be realized.

Deferred tax assets and deferred tax liabilities are measured using enacted or substantively enacted tax rates and tax laws at the reporting date that are expected to apply to their respective period of realization. These amounts are reassessed each period in the event of changes in income tax rates.

Deferred tax assets and liabilities are offset when there is the legal right and intention to set off current tax assets and liabilities from the same taxation authority.

(l) Segmented reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Company’s President and Chief Executive Officer. The Company's core business is to provide air navigation services, for which it collects customer service charges. The core business is the Company's only reportable segment. The Company's air navigation services are provided primarily within Canada. Substantially all of the Company's capital expenditures and assets are located in Canada.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

4. Revenue

Customer service charges by type of air navigation service provided were as follows:

Years ended August 31		2024		2023
Enroute [1]	**$**	**853**	$	856
Terminal [2]		**743**		687
Daily / annual / quarterly [3]		**52**		60
North Atlantic and international communication [4]		**112**		120
	$	**1,760**	$	1,723

(1) Charges related to air navigation services provided or made available to aircraft during the enroute phase of the flight, whether they overfly Canadian-controlled airspace or take-off and/or land in Canada. This performance obligation is satisfied at a point in time.

(2) Charges related to air navigation services provided or made available to aircraft at or in the vicinity of an airport. This performance obligation is satisfied at a point in time.

(3) Charges related to enroute and terminal air navigation services. These charges generally apply to propeller aircraft and the performance obligations are satisfied over the period in which air navigation services are made available.

(4) Charges related to certain air navigation and communication services provided or made available to aircraft while in airspace over the North Atlantic Ocean. These services are provided outside of Canadian sovereign airspace but for which Canada has air traffic control responsibility pursuant to international agreements. The international communication charges also include services provided or made available while in Canadian airspace in the north. These performance obligations are satisfied at a point in time.

The Company revised its customer service charges effective January 1, 2024, decreasing overall service charges by an average of 5.57%.

In each of the years ended August 31, 2024 (fiscal 2024) and August 31, 2023 (fiscal 2023), the Company has two customers each of which represents more than 10% of revenue. For fiscal 2024, revenue from the largest customer was $407 (fiscal 2023 - $396) and revenue from the second largest customer was $191 (fiscal 2023 - $198), together representing 33% (fiscal 2023 – 33%) of the revenue of the Company. The revenue from these two major customers arose from air navigation services.

Other revenue for fiscal 2024 consists primarily of service and development contracts revenue of $36 (fiscal 2023 - $52).

Subsequent to August 31, 2024, the Company announced a proposed revision of its customer service charges effective January 1, 2025, increasing overall service charges by an average of 3.73%.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

5. Salaries and benefits

Salaries and benefits expenses were comprised of the following:

Years ended August 31		2024		2023
Salaries and other	**$**	**989**	$	872
Fringe benefits (excluding pension)		**94**		83
Pension current service cost		**116**		114
Less: capitalized salaries and benefits [1]		**(33)**		(32)
	$	**1,166**	$	1,037

[1] Included in capitalized salaries and benefits is the impact of the asset impairment of $10.

6. Finance income and other finance costs

Finance income and other finance costs were comprised of the following:

Years ended August 31		2024		2023
Finance income				
Interest income on financial assets at amortized cost	**$**	**(39)**	$	(27)
Net change in fair value of financial assets at FVTPL [1]		**-**		(1)
	$	**(39)**	$	(28)
Other finance costs				
Net change in fair value of financial assets at FVTPL [1]	**$**	**-**	$	33
Interest expense on financial liabilities at amortized cost		**78**		88
Less: Capitalized borrowing costs [2]		**5**		(2)
	$	**83**	$	119

[1] Net change in fair value of financial assets at FVTPL is largely related to the change in the fair value of the Company's investment in preferred interests of Aireon (see note 16).

[2] Included in Capitalized borrowing costs is the impact of the asset impairment of $7.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

7. Financial statement impact of regulatory accounting

(a) Regulatory deferral accounts

In accordance with disclosures required for entities subject to rate regulation, the Company's regulatory deferral account balances are as follows:

As at August 31	2023	Deferral	Recovery/ Reversal	2024	Note
Rate stabilization account (b)	$ 342	$ -	$ (167)	**$ 175**	1)
Employee pension benefits:					
Pension costs (c)	679	48	-	**727**	2)
Accumulated sick leave	16	3	-	**19**	3)
Supplemental pension re-measurements	55	5	(1)	**59**	4), 5)
Realized hedging transaction	63	-	(2)	**61**	6)
Leases	1	1	-	**2**	7)
Decommissioning liability	1	-	-	**1**	8)
Allowance for expected credit losses	5	-	(2)	**3**	9)
Cloud computing arrangements	51	13	(7)	**57**	10)
Asset impairment	-	39	(4)	**35**	11)
Debit balances	$ 1,213	$ 109	$ (183)	**$ 1,139**	
Derivatives	$ (1)	$ -	$ -	**$ (1)**	7)
Employee pension benefits:					
Pension re-measurements (c)	(269)	(77)	-	**(346)**	2), 4)
Other pension benefits:					
Accumulated sick leave	-	(6)	(1)	**(7)**	3)
Other post-employment benefits re-measurements	(49)	(2)	1	**(50)**	4), 5)
Long-term disability contributions	(4)	2	-	**(2)**	12)
Change in the fair value of the investment in preferred interests	(38)	-	-	**(38)**	13)
Credit balances	$ (361)	$ (83)	$ -	**$ (444)**	

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

7. Financial statement impact of regulatory accounting (continued)

(a) Regulatory deferral accounts (continued)

As at August 31	2022	Deferral	Recovery/ Reversal	2023	Note
Rate stabilization account (b)	$ 574	$ -	$ (232)	$ 342	1)
Employee pension benefits:					
Pension costs (c)	624	55	-	679	2)
Other pension benefits:					
Accumulated sick leave	16	-	-	16	3)
Supplemental pension re-measurements	-	60	(5)	55	4), 5)
Long-term disability contributions	6	-	(6)	-	
Realized hedging transaction	65	-	(2)	63	6)
Leases	-	1	-	1	7)
Decommissioning liability	1	-	-	1	8)
Allowance for expected credit losses	9	-	(4)	5	9)
Cloud computing arrangements	46	11	(6)	51	10)
Debit balances	$ 1,341	$ 127	$ (255)	$ 1,213	
Derivatives	$ (2)	$ 1	$ -	$ (1)	7)
Employee pension benefits:					
Pension re-measurements (c)	(2)	(267)		(269)	2), 4)
Other pension benefits:					
Accumulated sick leave	(3)	4	(1)	-	3)
Other post-employment benefits re-measurements	(45)	(1)	(3)	(49)	4), 5)
Supplemental pension re-measurements	(3)	-	3	-	4), 5)
Long-term disability contributions	-	(4)	-	(4)	12)
Change in the fair value of the investment in preferred interests	(64)	26	-	(38)	13)
Credit balances	$ (119)	$ (241)	$ (1)	$ (361)	

1) In order to mitigate the effect on its operations of unpredictable and uncontrollable factors, principally unanticipated fluctuations in air traffic levels, the Company maintains a rate stabilization mechanism. Amounts are added to or deducted from the rate stabilization account based upon variations from amounts used when establishing customer service charges.

In addition, for certain transactions where the timing of recognition for rate setting purposes differs from the accounting recognition before applying rate regulated accounting, the Company recognizes regulatory deferral account debits and credits in order to adjust the accounting recognition to the period in which they will be considered for rate setting as described below.

7. Financial statement impact of regulatory accounting (continued)

(a) Regulatory deferral accounts (continued)

2) The Company's cost of pension benefits for its funded plan is considered for rate setting based on the Company's cash contributions to the pension fund as described in note 7(c) below. Pension adjustments related to the adoption of IFRS Accounting Standards and subsequent re-measurements are deferred.

3) Non-vesting accumulated sick leave is considered for rate setting when the sick leave benefits are used and paid in cash. Vested accumulated sick leave is considered for rate setting over the period in which the employees render service.

4) The net movement in regulatory deferral accounts related to OCI due to re-measurements of employee defined benefit plans for fiscal 2024 consists of pension re-measurement gains of $77, supplemental pension re-measurement losses of $5 and other post-employment benefits re-measurement gains of $2.

5) These re-measurement amounts will be recovered by amortizing the prior years' annual re-measurements over the expected average service period of the plan members.

6) Cash flow hedges are considered for rate setting in the same period as the underlying hedged transaction. Fair value changes on other foreign exchange forward contracts are considered for rate setting in the period that they are realized.

The net movement in regulatory deferral accounts related to OCI due to changes in fair value of cash flow hedges for fiscal 2024 of $2 relates to the amortization of losses on realized hedging transactions to net income (loss).

7) The Company is deferring the non-cash impacts of accounting for its head office lease in accordance with IFRS 16 *Leases* using regulatory accounting. Only actual cash payments made by the Company are included for rate setting purposes.

8) The Company is deferring the non-cash impact of accounting for its decommissioning liability. Only actual cash payments are included for rate setting purposes.

9) The Company is deferring the non-cash impact of accounting for lifetime expected credit losses in accordance with IFRS 9 using regulatory accounting. See note 16(b) for discussion of the impact on the Company's credit risk.

10) The Company is deferring the impact of the implementation costs associated with cloud computing arrangements. These balances will be recovered over time by amortizing them over the terms of the cloud computing arrangements.

11) In fiscal 2024, the Company recognized a regulatory deferral of $39, representing the net impact of the asset impairment described in note 10, which will be recovered for rate setting purposes over the period from March 1, 2024 to August 31, 2028.

12) The Company recovers the annual cost of LTD contributions to the funded plan as they are paid in cash.

13) The Company is deferring the impact of non-cash adjustments related to the Company's investment in Aireon. The regulatory deferrals are considered for rate setting when they are realized in cash.

The cumulative difference between total regulatory debit balances and total regulatory credit balances is reflected in equity at each reporting date. The Company does not use a rate of return to reflect the time value of money for any of its regulatory deferral account balances.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

7. Financial statement impact of regulatory accounting (continued)

(a) Regulatory deferral accounts (continued)

The table below shows the impact of rate stabilization adjustments and net movement in regulatory deferral accounts on net income (loss):

Years ended August 31	2024	2023
Revenue	**$ 1,800**	$ 1,778
Operating expenses	**1,638**	1,493
Other (income) and expenses	**80**	124
Income tax expense	**1**	-
Net income, before net movement in regulatory deferral accounts	**81**	161
Rate stabilization adjustments (b)	**(167)**	(232)
Other regulatory deferral account adjustments:		
Employee benefit pension costs	**48**	55
Other employee benefits	**(2)**	(12)
Investment in preferred interests	**-**	26
Asset impairment	**35**	-
Other	**5**	2
	86	71
Net movement in regulatory deferral accounts	**(81)**	(161)
Net income (loss), after net movement in regulatory deferral accounts	**$ -**	$ -

(b) Rate stabilization account

In order to achieve breakeven results of operations after the application of rate regulated accounting, the Board approves an annual adjustment to the rate stabilization account based on planned results. If actual revenues are higher than planned or actual expenses are lower than planned, such excess is reflected as a credit to the rate stabilization account. Conversely, if actual revenues are less than planned or actual expenses are higher than planned, such shortfall is reflected as a debit to the rate stabilization account. The rate stabilization account is also impacted by the actual net movement in other regulatory deferral accounts versus the plan. A credit balance in the rate stabilization account represents amounts returnable through reductions in future customer service charges, while a debit balance represents amounts recoverable through future customer service charges.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

7. Financial statement impact of regulatory accounting (continued)

(b) Rate stabilization account (continued)

When establishing customer service charges, the Board considers, among other things:

(i) the statutory requirement to provide air navigation services;
(ii) air traffic results and forecasts;
(iii) financial and operating requirements, including the current and anticipated balance in the rate stabilization account and the extent to which operating costs are variable and can be contained;
(iv) the recovery of pension contributions on a cash basis; and
(v) updates to financial forecasts, debt servicing and financial requirements, and resulting financial coverage ratios.

The table below shows the net movements in the rate stabilization account:

Years ended August 31		2024		2023
Debit balance, beginning of period	**$**	**(342)**	$	(574)
Variances from planned results:				
Revenue higher than planned		**5**		106
Operating expenses lower than planned		**23**		13
Other (income) and expenses lower (higher) than planned		**8**		(38)
Net movement in other regulatory deferral accounts		**29**		22
Total variances from planned results		**65**		103
Initial approved adjustment [(1)]		**102**		129
Net movement recorded in net income (loss)		**167**		232
Debit balance, end of period	**$**	**(175)**	$	(342)

(1) In order to achieve breakeven results of operations after the application of rate regulated accounting, the Board approved the fiscal 2024 budget with a decrease to the debit position of the rate stabilization account as a result of a planned recovery of $102 (fiscal 2023 - $129), which is being reflected in the rate stabilization account evenly throughout the fiscal year.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

7. Financial statement impact of regulatory accounting (continued)

(c) Pension costs

Included in regulatory deferral account debit balances as at August 31, 2024 is $727 related to the planned recovery of pension costs through customer service charges (August 31, 2023 - $679). After regulatory accounting, the pension benefit liability on the statement of financial position is:

	August 31 2024	August 31 2023
Pension benefit liability	**$ (347)**	$ (376)
Less:		
Regulatory deferrals of non-cash adjustments	**(346)**	(269)
	(693)	(645)
Regulatory debit balance - recovery of pension costs	**727**	679
Regulatory expense cumulatively less than contributions	**$ 34**	$ 34

The Company uses a regulatory approach to determine the net charge to net income (loss) for pension benefit costs for its funded plan. The objective of this approach is to reflect the cash cost of the funded pension plan in net income (loss) by recording an adjustment to the related regulatory deferral account. These regulatory adjustments are the difference between the pension benefit costs as determined by IAS 19 *Employee Benefits* and the annual going concern cash cost of the plan. Included in the regulatory deferral related to pension costs of $727, is the recovery of $10 of solvency deficiency contributions of $44 paid in the fiscal year ended August 31, 2017. The remaining balance of $34 is expected to be recovered through future customer service charges.

The funding of employee pension benefits as compared to the expense, net of regulatory adjustments, recorded in the consolidated statements of operations is summarized below.

Years ended August 31	2024	2023
Consolidated statements of operations		
Pension current service expense [(1)]	**$ 113**	$ 113
Net interest expense [(1)]	**17**	25
Less: Regulatory deferrals	**(48)**	(55)
	$ 82	$ 83
Company cash pension contributions		
Going concern current service - cash payment	**$ 85**	$ 77
Going concern current service - accrued	**(3)**	6
	$ 82	$ 83

(1) For fiscal 2024, pension current service expense does not include $3 related to the Company's unfunded pension plan (fiscal 2023 - $1) and net interest expense does not include $8 related to the Company's unfunded pension plan (fiscal 2023 - $5).

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

8. Receivables

Accounts receivable and other and long-term receivables were comprised of the following:

As at August 31		2024		2023
Trade receivables	$	**103**	$	112
Accrued receivables and unbilled work in progress		**38**		39
Commodity taxes receivable		**4**		4
Allowance for expected credit losses [1]		**(2)**		(2)
	$	**143**	$	153
Long-term receivables		**29**		54
Allowance for expected credit losses [1]		**(3)**		(4)
	$	**26**	$	**50**

[1] The Company's exposure to credit and foreign exchange risks and to impairment losses related to receivables is described in note 16.

9. Current investments

Current investments were comprised of the following:

As at August 31		2024		2023
Short-term investments [1]	$	**-**	$	99
Debt service reserve fund [2]		**81**		77
	$	**81**	$	176

[1] Short-term investments have maturities greater than three months but less than one year and are generally held to maturity (note 16). The carrying value includes accrued interest.

[2] Pursuant to the Master Trust Indenture (MTI) (note 13), the Company is required to establish and maintain certain reserve funds.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

10. Property, plant and equipment

Property, plant and equipment are comprised of the following:

	Land and buildings [1]	Systems and equipment	Assets under development [2]	Total
Cost				
Balance at August 31, 2022	$ 423	$ 771	$ 154	$ 1,348
Additions	-	-	89	89
Disposals	-	(1)	-	(1)
Transfers	38	45	(83)	-
Balance at August 31, 2023	$ 461	$ 815	$ 160	$ 1,436
Balance at August 31, 2023	$ 461	$ 815	$ 160	$ 1,436
Additions	-	-	131	131
Derecognition [3]	-	-	(48)	(48)
Reclass	1	(1)	-	-
Disposals	-	(1)	-	(1)
Transfers [4]	21	56	(84)	(7)
Balance at August 31, 2024	**$ 483**	**$ 869**	**$ 159**	**$ 1,511**
Accumulated depreciation				
Balance at August 31, 2022	$ 124	$ 495	$ -	$ 619
Depreciation	22	60	-	82
Disposals	-	(1)	-	(1)
Balance at August 31, 2023	$ 146	$ 554	$ -	$ 700
Balance at August 31, 2023	$ 146	$ 554	$ -	$ 700
Depreciation	22	57	-	79
Disposals	-	(1)	-	(1)
Balance at August 31, 2024	**$ 168**	**$ 610**	**$ -**	**$ 778**
Carrying amounts				
At August 31, 2023	$ 315	$ 261	$ 160	$ 736
At August 31, 2024	**$ 315**	**$ 259**	**$ 159**	**$ 733**

(1) Included in Land and buildings are right-of-use assets related to the Company's head office leases. Depreciation of $2 was recognized during fiscal 2024 (fiscal 2023 - $2). The carrying amount as at August 31, 2024 is $32 (August 31, 2023 - $34).

(2) Additions to assets under development are shown net of $10 (August 31, 2023 - $5) related to government funding under the National Trade Corridors Fund (NTCF).

(3) The Company entered into a purchase agreement in 2015, that was subsequently amended and restated, in relation to the replacement of certain surveillance equipment. In March 2024, the Company ended the contract. The carrying amount of the related asset was determined not to be recoverable through value in use or fair value less costs of disposal, and the Company recorded an asset impairment of $48.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

10. Property, plant and equipment (continued)

The impact of the above asset impairment is recorded in Technical services expenses ($27), Salaries and benefits expense ($10), Other finance costs ($7), Facilities and maintenance expenses ($2) and Other expenses ($2) as presented on the consolidated statements of operations for fiscal 2024.

(4) The net transfers balance of $7 represents transfer to intangible assets for assets under development during the year ended August 31, 2024.

11. Intangible assets

Intangible assets are comprised of the following:

	Air navigation right	Purchased software	Internally developed software	Assets under development [(1)]	Total
Cost					
Balance at August 31, 2022	$ 702	$ 181	$ 293	$ 36	$ 1,212
Additions	-	-	-	30	30
Disposals	-	(1)	-	-	(1)
Derecognition	-	-	-	(9)	(9)
Transfers	-	8	9	(17)	-
Balance at August 31, 2023	$ 702	$ 188	$ 302	$ 40	$ 1,232
Balance at August 31, 2023	$ 702	$ 188	$ 302	$ 40	$ 1,232
Additions	-	-	-	60	60
Disposals	-	-	-	(2)	(2)
Transfers [(2)]	-	4	25	(22)	7
Balance at August 31, 2024	**$ 702**	**$ 192**	**$ 327**	**$ 76**	**$ 1,297**
Accumulated amortization					
Balance at August 31, 2022	$ 200	$ 116	$ 153	$ -	$ 469
Amortization	26	10	26	-	62
Disposals	-	(1)	-	-	(1)
Balance at August 31, 2023	$ 226	$ 125	$ 179	$ -	$ 530
Balance at August 31, 2023	$ 226	$ 125	$ 179	$ -	$ 530
Amortization	25	11	28	-	64
Balance at August 31, 2024	**$ 251**	**$ 136**	**$ 207**	**$ -**	**$ 594**
Carrying amounts					
At August 31, 2023	$ 476	$ 63	$ 123	$ 40	$ 702
At August 31, 2024	**$ 451**	**$ 56**	**$ 120**	**$ 76**	**$ 703**

(1) Additions to assets under development are shown net of $8 (August 31, 2023 - $8) related to government funding under the NTCF.

(2) The net transfers balance of $7 represents transfer from property, plant and equipment adjustments for assets under development during the year ended August 31, 2024.

12. Investment in preferred interests of Aireon

The Company holds preferred interests in Aireon, a limited liability company incorporated in Delaware, USA. Aireon provides a space-based air traffic surveillance capability for ANSPs around the world through Automatic Dependent Surveillance-Broadcast (ADS-B) receivers built as an additional payload on the Iridium NEXT satellite constellation.

The Company's investment in Aireon is held through NAV CANADA Satellite, Inc (USA) and other investors are Iridium Communications Inc. (Iridium) and four other ANSPs: NATS (UK), ENAV (Italy), the AirNav Ireland (Ireland) and Naviair (Denmark). As at August 31, 2024, the Company's cash investment in Aireon is $150 U.S. (August 31, 2023 - $150 U.S.). The Company is represented by five out of the eleven directors on Aireon's board of directors. The shareholder agreement allows the Company to exert significant influence over the strategic financial and operating activities of Aireon.

The Company's investment is in convertible redeemable cumulative 5% dividend preferred interests (except for the $54 CDN ($40 U.S.) second stage investment that is in convertible redeemable cumulative 10% dividend preferred interests). The Company currently holds an approximately 35.0% (August 31, 2023 – 35.0%) preferred interest in Aireon, which is intended to result in fully diluted common interests of 42.2% (August 31, 2023 – 42.2%).

The interests carry a right of conversion to common equity interests until January 2, 2027, or are otherwise mandatorily redeemed in three annual instalments from that date. The dividends are payable on or after January 1, 2027.

As long as the conversion feature remains unexercised, the Company's investment in preferred interests does not give the Company any rights to the residual net assets of Aireon and accordingly the investment is accounted for as a financial instrument classified and measured at FVTPL.

With a non-active market, the inputs used are consistent with Level 3 of the fair value hierarchy.

As at August 31, 2024, the Company measured the fair value of its investment in preferred interests of Aireon at $203 CDN ($150 U.S.) (August 31, 2023 - $203 CDN ($150 U.S.)). The fair value was determined using a discounted cash flow model, where the model considers the present value of expected future after-tax dividend payments from Aireon, discounted using a risk-adjusted discount rate.

The assumptions and estimates used when determining the fair value are:

- A discount rate of 16.7% and a growth rate of 1.9%; and
- Future dividend projections based on Aireon management's current LRF for fiscal year ended December 31, 2024 to fiscal year ending December 31, 2039. The Company adjusted the LRF for changes in new core business contracts, new sales contracts not yet secured and long-term growth rate assumptions.

The nature of Aireon's business makes its LRF sensitive to the achievement of management's revenue growth forecast, the risk of which is reflected in the discount rate critical assumption. A 1% increase in the discount rate would result in a $27 CDN decrease in fair value and a 1% reduction in the discount rate would result in a $27 CDN increase in fair value.

The Company's deferred tax assets and liabilities relate to its investment in Aireon held in one of the Company's wholly owned subsidiaries. Aireon is a limited liability company that is headquartered in the United States and is treated as a partnership for U.S. federal income tax purposes, and therefore is generally not subject to income taxes directly. Rather, the Company, Iridium and the additional investors are each allocated a portion of Aireon's taxable income (loss) based on their respective tax basis interests in Aireon's income or loss under U.S. tax regulations.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

12. Investment in preferred interests of Aireon (continued)

The Company has deferred tax liabilities amounting to $34 CDN (August 31, 2023 - $40 CDN) primarily related to the Company's investment in Aireon, recorded at fair value. The Company has deferred tax assets amounting to $59 CDN (August 31, 2023 - $62 CDN) for tax attributes consisting of net operating losses (NOLs), denied interest deductions and research and development expenses carried forward that have been allocated to the Company's subsidiary.

As at August 31, 2024, the net deferred tax asset of $25 CDN has not been recognized in the statement of financial position based on management's assessment that it is not probable that the deferred tax asset will be utilized against future taxable income (August 31, 2023 - $22 CDN). The pre-tax effected amount of net unrecognized tax attributes consisting of NOLs, denied interest deductions and research and development expenses carried forward is $99 CDN (August 31, 2023 - $88 CDN). The Company has gross NOLs of $155 CDN (August 31, 2023 - $170 CDN) and interest expense of $56 (August 31, 2023 - $45 CDN) that can be carried forward indefinitely.

The table below shows the impact of the Company's investment in preferred interests of Aireon and the impact of the use of regulatory accounting on the Company's consolidated statements of financial position:

As at August 31	2024	2023
Investment in preferred interests	**$ 203**	$ 203
Financial position impact before regulatory accounting	**203**	203
Regulatory deferral account debit (credit) balances		
Cumulative change in fair value of the investment in preferred interests	**(38)**	(38)
	(38)	(38)
Net financial position impact after regulatory accounting	**$ 165**	$ 165

After regulatory accounting, the Company's investment in preferred interests of Aireon on the statement of financial position reflects the actual amounts paid by the Company (at the exchange rates prevailing on the dates of the transactions). The use of regulatory deferral accounts defers the accounting recognition of transactions related to the Company's investment in Aireon on the Company's consolidated statements of operations. As a result, there is no net impact on the Company's consolidated statements of operations for the year ended August 31, 2024 related to the Company's investment in Aireon. These amounts are not considered for rate setting purposes until realized in cash.

Aireon's fiscal year end is December 31. IAS 28 *Investments in Associates and Joint Ventures* limits the difference between the end of the reporting period of an associate or joint venture and that of the investor to no more than three months and requires adjustment to the results for any significant transactions that occur during the intervening period. The Company has chosen a two-month lag period and therefore the August 31, 2024 and August 31, 2023 information presented below is based on Aireon's financial position and financial performance as at June 30, 2024 and June 30, 2023, respectively. All amounts are translated from U.S. dollars.

No significant transactions occurred during the intervening periods that were necessary to adjust for in Aireon's financial information presented as at and for the year ended August 31, 2024.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

12. Investment in preferred interests of Aireon (continued)

As at August 31	2024	2023
Current assets		
Cash and cash equivalents	**$ 38**	$ 21
Other current assets	**37**	26
Non-current assets		
Property, plant and equipment	**357**	383
Restricted cash	**17**	82
Other non-current assets	**47**	49
	$ 496	$ 561
Current liabilities		
Trade and other payables	**$ (36)**	$ (15)
Other financial liabilities	**(9)**	-
Deferred revenue	**(1)**	(2)
Non-current liabilities		
Financial liabilities	**(1,249)**	(1,292)
	$ (1,295)	$ (1,309)
Net assets	**$ (799)**	$ (748)

Years ended August 31	2024	2023
Revenue	**$ 164**	$ 146
Operating expense	**$ 103**	$ 92
Interest expense	**$ 101**	$ 121
Depreciation	**$ 51**	$ 54
Net loss	**$ (89)**	$ (87)
Other comprehensive income	**(24)**	(26)
Total comprehensive loss	**$ (113)**	$ (113)

13. Long-term debt

As NAV CANADA is a non-share capital corporation, the Company's initial acquisition of the ANS and its ongoing requirements are financed with debt. Until February 21, 2006, all indebtedness was incurred and secured under a MTI that provided the Company with a maximum borrowing capacity, which declines each year. On February 21, 2006, the Company entered into a new indenture (the General Obligation Indenture (GOI)) that established an unsecured borrowing program that qualifies as subordinated debt under the MTI. The borrowing capacity under the GOI does not decline each year. In addition, there is no limit on the issuance of notes under the GOI so long as the Company is able to meet an additional indebtedness test.

(a) Security

The MTI established a borrowing platform secured by an assignment of revenue and the debt service reserve fund (note 9). At the end of each fiscal year, the amount in the debt service reserve fund must be equal to or greater than the annual projected debt service requirement (principal amortization, interest and fees) on outstanding MTI obligations determined in the manner required by the MTI. Any additional contributions required to be made to the debt service reserve fund must, at a minimum, be made in equal instalments over the following four fiscal quarters. Funds deposited into the debt service reserve fund are held by a trustee in high-quality short-term money market instruments and are released only to pay principal, interest and fees owing in respect of outstanding borrowings under the MTI except that, provided no event of default has occurred and is continuing, surplus funds may be released from time to time at the request of the Company.

Pursuant to the MTI, the Company is required to maintain an operations and maintenance reserve. The operations and maintenance reserve may be used to pay operating and maintenance expenses, if required. If at any fiscal year end the amount in the operations and maintenance reserve is less than 25% of the Company's operating and maintenance expense for the year, as defined in the MTI (before other regulatory deferral account adjustments, depreciation, amortization, finance costs, OCI and extraordinary expenses), the Company must, at a minimum, increase the balance in the reserve to the required level over the following four fiscal quarters through additional contributions or an allocation of its committed credit facility.

The Company established revenue accounts under the dominion and control of the Company but subject to the lien and the terms of MTI. The balance of the revenue accounts include cash, qualified investments, and the undrawn availability under committed credit facilities to the extent allocated exclusively to the MTI.

The GOI is unsecured but provides a set of positive and negative covenants similar to those of the MTI. In addition, under the terms of the GOI, no further indebtedness may be incurred under the MTI; furthermore, the amount of the Company's $850 syndicated bank credit facility (note 16(c)) that is secured under the MTI is limited to the declining amount of outstanding bonds issued under the MTI. As at August 31, 2024, this amount is $255. The remaining $595 of the $850 credit facility ranks pari passu to the borrowings under the GOI and will increase by $16 on March 1 of each year to offset the decline in the amount secured under the MTI.

As bonds mature or are redeemed under the MTI, they may be replaced with notes issued under the GOI. Borrowings under the GOI are unsecured and repayment is subordinated and postponed to prior payment of MTI obligations unless the Company can meet an additional indebtedness test.

Pursuant to the GOI, the Company is required to maintain certain liquidity levels similar to the reserve fund requirements of the MTI. Specifically, the Company must maintain a minimum liquidity level equal to 12 months net interest expense on all debt plus 25% of the annual operating and maintenance expenses of the previous fiscal year. Liquidity is defined to include all cash and qualified investments, amounts held in the operations and maintenance reserve and debt service reserve funds and any undrawn amounts available under a committed credit facility. In addition, the Company must maintain cash liquidity equal to 12 months net interest expense on all debt. Cash liquidity includes cash and qualified investments held in the reserve funds maintained under the MTI.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

13. Long-term debt (continued)

(b) Debt

On November 29, 2022, the Company repurchased $119 of its revenue bonds and certain General Obligation Notes. Specifically, the following notional amounts were repurchased: $43 of the Series 96-3 revenue bonds, $46 of the Series 97-2 amortizing revenue bonds, $15 of the Series 2021-1 General Obligation Notes, and $15 of the Series 2021-2 General Obligation Notes.

The Company paid a net premium of $6 related to the partial repurchase in advance of the maturity dates. This premium of $6 is reflected in other finance costs for fiscal 2023.

The Company's outstanding debt was comprised of the following:

	August 31 2024	August 31 2023
Bonds and notes payable (1)		
Issued under the Master Trust Indenture:		
7.40% revenue bonds,		
series 96-3, maturing June 1, 2027	**$ 207**	$ 207
7.56% amortizing revenue bonds,		
series 97-2, maturing March 1, 2027	**48**	63
	255	270
Issued under the General Obligation Indenture:		
0.937% general obligation notes,		
series 2021-1, maturing February 9, 2026	**285**	285
0.555% general obligation notes,		
series 2021-2, maturing February 9, 2024	**-**	185
2.924% general obligation notes,		
series 2020-1, maturing September 29, 2051	**550**	550
2.063% general obligation notes,		
series 2020-2, maturing May 29, 2030	**300**	300
3.209% general obligation notes,		
series MTN 2019-1, maturing September 29, 2050	**250**	250
3.293% general obligation notes,		
series MTN 2018-1, maturing March 30, 2048	**275**	275
3.534% general obligation notes,		
series MTN 2016-1, maturing February 23, 2046	**250**	250
	1,910	2,095
Total bonds and notes payable	**2,165**	2,365
Adjusted for deferred financing costs and discounts	**(10)**	(11)
Carrying value of total bonds and notes payable	**2,155**	2,354
Less: current portion of long-term debt (2)	**(16)**	(201)
Total long-term debt	**$ 2,139**	$ 2,153

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

13. Long-term debt (continued)

(b) Debt (continued)

(1) The bonds and notes payable are redeemable in whole or in part at the option of the Company at any time at the higher of par and the Canada yield price plus a redemption premium.

(2) The current portion of long-term debt relates to the annual amortization payment of $16 for the Series 97-2 amortizing revenue bonds.

The Series 97-2 bonds are amortizing bonds repayable in annual instalments of $16 principal on March 1 of each year until maturity on March 1, 2027.

The Company is in compliance with all covenants of the MTI and GOI as at August 31, 2024.

For information about the Company's exposure to interest rate and liquidity risk, see note 16.

14. Employee benefits

The Company maintains defined benefit plans that provide pension and other post-employment benefits to employees. Long-term employee benefit plans provide accumulating sick leave benefits (vested and non-vesting), LTD benefits and long-term executive incentive plan benefits. Registered pension plan and LTD benefits are funded. The supplemental pension plan is unfunded though, effective April 2023, partially secured through a letter of credit facility. Other post-employment benefits and other long-term employee benefits are not funded. The Company has recorded net defined pension and other post-employment benefits expenses as follows:

	Pension benefit plans		Other benefit plans	
Years ended August 31	**2024**	**2023**	**2024**	**2023**
Statement of operations				
Current service costs	**$ 116**	$ 114	**$ 4**	$ 4
Interest cost	**350**	324	**9**	8
Interest income on plan assets	**(325)**	(294)	**-**	-
Total expense	**$ 141**	$ 144	**$ 13**	$ 12
Statement of other comprehensive income (loss)				
Re-measurements:				
Return on plan assets, excluding interest income	**$ (414)**	$ 5	**$ -**	$ -
Actuarial loss (gain)	**342**	(212)	**(2)**	(1)
Total net income recognized in other comprehensive income (loss)	**$ (72)**	$ (207)	**$ (2)**	$ (1)

Net interest costs relating to employee benefits of $36 for fiscal 2024 (fiscal 2023 - $40) are comprised of interest costs and interest income on plan assets as noted above for pension benefit plans and other benefit plans, including an additional $2 (fiscal 2023 - $2) of interest costs related to long-term sick leave benefits.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

14. Employee benefits (continued)

The balances of employee benefits recorded on the consolidated statements of financial position are as follows:

As at August 31	2024	2023
Recognized asset for long-term disability benefits	**$ 1**	$ 4

As at August 31	2024	2023
Present value of funded defined benefit obligations	**$ (7,259)**	$ (6,710)
Fair value of plan assets	**6,912**	6,334
Liability for funded defined benefit obligations	**(347)**	(376)
Liability for unfunded pension defined benefit obligations	**(172)**	(160)
Liability for unfunded other defined benefit obligations	**(182)**	(178)
Recognized liability for defined benefit plans	**(701)**	(714)
Long-term employee benefit liabilities	**(48)**	(46)
Total long-term employee benefit liabilities	**$ (749)**	$ (760)

The most recent actuarial funding valuations was carried out as at January 1, 2024.

The Company has determined that no increase in the defined benefit liability is necessary as at August 31, 2024 and August 31, 2023 in respect of the minimum funding requirements for the registered pension plan. The present value of reductions in future contributions is greater than the balance of the total fair value of the plan assets plus any minimum funding requirement in respect of past service less the total present value of obligations. This determination was made in accordance with:

- the terms and conditions of the funded defined benefit pension plan,
- statutory requirements (such as minimum funding requirements, the ability to take contribution holidays, and the ability to use letters of credit to secure solvency special payments revealed by funding actuarial valuations), and
- the assumptions and methodology adopted to calculate the economic benefit available.

(a) Characteristics of defined benefit plans

The Company has established and maintains defined benefit pension plans for its employees.

(i) The NAV CANADA Pension Plan (the Plan) was established on November 1, 1996 to provide pension benefits to the employees of the Company. The Plan was established pursuant to an agreement with the Federal Government to provide continuity of pension and other benefits to the employees who transferred to the Company from the public service. The Plan covers substantially all employees of the Company. The Plan is registered under the federal Pension Benefits Standards Act, 1985 (PBSA) and. consists of three parts, all being defined benefit designs:

- Part A is a contributory component that provides benefits under the original plan, with employee contribution rates varying by position at predetermined rates;
- Part B is a non-contributory component that provides benefits in respect of all service for (a) all new management hires on a mandatory basis after January 1, 2009 and (b) effective in 2014, to new hires represented by unions. In addition, effective April 1, 2022, all future pensionable service for management and executive employees is recognized under Part B; and
- Part C is a non-contributory component that provides benefits to those formerly participating in the NAV CANADA Executive Pension Plan. Effective January 1, 2021, the Executive Pension Plan was merged into the Plan.

14. Employee benefits (continued)

(a) Characteristics of defined benefit plans (continued)

Under the Plan, the Company is required to contribute the balance of the funding necessary to ensure that benefits will be fully provided. The determination of the value of these benefits is made on the basis of an annual actuarial valuation for funding purposes performed as at January 1.

All parts of the Plan provide a benefit based on pensionable service and the average of the best six years' pensionable earnings (five years for members represented by CATCA/Unifor and Part C) prior to retirement or termination. Pensionable benefits are reduced at age 65 due to Canada Pension Plan (CPP)/ and Quebec Pension Plan (QPP) integration. All three parts of the Plan have different calculation formulas that include benefit entitlement, CPP/QPP integration and early retirement reductions.

Pensions are fully indexed during retirement to increases in the Consumer Price Index for Part A members and on an ad-hoc basis for Part B and Part C members.

The investment objective of the Plan is to provide for the security of the promised benefits under the Plan at a reasonable cost. In order to achieve this objective, the Plan has adopted a Liability-Driven Investment (LDI) strategy. The strategy aims to reduce and manage the interest rate and inflation risk mismatch between the Plan's assets and liabilities and to balance the risk/reward trade-offs in the selection of a long-term asset mix.

In addition, the Company maintains a Supplemental Retirement Plan (the Supplemental Plan) to provide for benefits that exceed the maximum amount allowable under the ITA for the registered pension plan.

The Company's net obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

(ii) The Company also provides other post-employment benefits for its employees including certain health care, life insurance and retiring allowance benefits to eligible retirees and their eligible dependents. Other post-employment benefits are not funded.

Benefit payments for the registered pension plan are made from trustee administered funds, and benefit payments for the Supplemental Plan and other post-employment benefit plans are met by the Company as the benefit payment obligations come due. The Company is the administrator and sponsoring employer for the funded registered pension plan, and the Plan's assets are held in trust and are governed by PBSA regulations. The Pension Committee, a committee of the Board, oversees the investment management of the plan's assets and administration of the Company's registered pension plan and the Supplemental Plan.

(b) Pension plan funding requirements

Actuarial valuations for pension funding purposes are performed annually as at January 1 and are required to be filed with OSFI by June of the same year. The January 1, 2024 funding valuation was filed with OSFI in May 2024.

Once the valuations are filed, going concern pension contributions are based on the January 1 actuarial valuations, with a retroactive adjustment to the beginning of the calendar year. The regulations governing the funding of federally regulated pension plans require actuarial valuations to be performed on both a going concern and a solvency basis. The actuarial valuations performed as at January 1, 2024 reported a going concern surplus of $1,325 (January 1, 2023 - $1,049) and a statutory solvency deficiency of $98 (January 1, 2023 - $291).

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

14. Employee benefits (continued)

(b) Pension plan funding requirements (continued)

The Company's contributions to its defined benefits plans included in the statements of cash flows were as follows:

Years ended August 31	2024	2023
Funded pension plan		
Going concern current service costs	**$ 85**	$ 77
Unfunded pension plan	**4**	4
Unfunded other defined benefit plans	**7**	8
Less: capitalized amounts	**(3)**	(2)
	$ 93	$ 87

On a preliminary basis, fiscal 2025 going concern pension contributions for the registered pension plan are estimated to be $82 with no requirement for cash special payments expected.

The funding period for solvency deficiencies is five years and past deficits are consolidated on a permanent basis for establishing solvency special payments, resulting in a fresh start every year. Funding of solvency deficits is based on an average of solvency ratios over the three most recent consecutive years (statutory solvency deficiency).

The Company has the option of meeting its pension solvency funding requirements with letters of credit or cash contributions, with the maximum letters of credit based on 15% of solvency liabilities. As at August 31, 2024, the Company has put in place letters of credit totaling $795 to meet its cumulative pension solvency funding requirements, including $44 in the current fiscal year for the registered pension plan. At January 1, 2024, outstanding letters of credit represent 10% of solvency liabilities (January 1, 2023 – 10%).

The amount of required Company contributions and additional letters of credit in future years will be dependent on the investment experience of plan assets, the discount rates and other assumptions that will be used in future actuarial valuations to determine plan liabilities, as well as any changes in pension plan design or funding requirements that may be enacted.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

14. Employee benefits (continued)

(c) Movements in defined pension benefit plans and other post-employment employee benefit plans

The movement in the defined benefit pension plans and other post-employment employee benefit plans was as follows:

	Pension benefit plans		Other benefit plans	
	2024	**2023**	**2024**	**2023**
Change in benefit obligations				
Defined benefit obligations at August 31, prior year	**$ 6,870**	$ 6,880	**$ 178**	$ 175
Benefits paid	**(273)**	(260)	**(7)**	(8)
Plan participants' contributions	**26**	24	**-**	-
Current service cost	**116**	114	**4**	4
Interest cost	**350**	324	**9**	8
Actuarial loss (gain) from change in financial assumptions	**348**	(261)	**10**	(2)
Actuarial loss (gain) arising from experience adjustments	**(6)**	49	**(12)**	1
Defined benefit obligations at August 31	**$ 7,431**	$ 6,870	**$ 182**	$ 178
Change in plan assets				
Fair value of plan assets at August 31, prior year	**$ 6,334**	$ 6,193	**$ -**	$ -
Return on plan assets, excluding interest income	**414**	(5)	**-**	-
Interest income	**325**	294	**-**	-
Employer contributions	**86**	88	**7**	8
Plan participants' contributions	**26**	24	**-**	-
Benefits paid	**(273)**	(260)	**(7)**	(8)
Fair value of plan assets at August 31	**$ 6,912**	$ 6,334	**$ -**	$ -
Net defined benefit liability	**$ (519)**	$ (536)	**$ (182)**	$ (178)
Liability for unfunded defined benefit obligations at August 31	**$ (172)**	(160)	**(182)**	(178)
Liability for funded defined benefit obligations at August 31	**$ (347)**	$ (376)	**$ -**	$ -

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

14. Employee benefits (continued)

(d) Fair value measurement of pension plan assets

The composition of the plan assets by major category of the Company's funded pension plan is as follows:

	August 31, 2024		August 31, 2023	
	Quoted market price in an active market	No quoted market price in an active market	Quoted market price in an active market	No quoted market price in an active market
Equities	21%	16%	21%	16%
Fixed income[1]	0%	27%	0%	25%
Real assets	0%	18%	0%	21%
Absolute return strategies	0%	8%	0%	8%
Private debt	0%	8%	0%	7%
Cash	2%	0%	2%	0%
	23%	77%	23%	77%

(1) The LDI strategy (discussed in (g) below) is comprised of a leveraged portfolio of Canadian nominal and real return bonds. Leverage is achieved through the use of bond forward contracts and total return swaps. As at August 31, 2024, the strategy represented 27% of net plan assets (August 31, 2023 - 24%) with leverage providing an additional 19% exposure (fiscal 2023 - 27%).

(e) Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages) are as follows:

	Funded plan		Unfunded plans	
As at August 31	2024	2023	2024	2023
Discount rate, defined benefit obligations	4.90%	5.20%	4.22%	5.20%
Discount rate, defined benefit expense	5.20%	4.80%	5.20%	4.80%

The inflation assumptions step down from 3.00% in fiscal 2024 to stabilize at 2.00% in the long-term. The average long-term rate of salary increases is assumed to be 2.75% (fiscal 2023 – 2.75%). Short-term salary increases reflect actual or assumed wage settlements, and have been updated for new and expected collective bargaining agreements. Additional increases for merit and promotion are also assumed. An increase of 4.50% - 4.80% in drug and other health benefit costs were assumed for fiscal 2024 and all years thereafter (fiscal 2023 – 4.5% - 5.00%).

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

14. Employee benefits (continued)

(e) Actuarial assumptions (continued)

Assumptions regarding future mortality are based on published statistics and mortality tables. Longevities (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

As at August 31	2024	2023
Longevity at age 65 for current pensioners		
Males	**23.2**	23.2
Females	**25.0**	25.0
Longevity at age 65 for current members age 45		
Males	**24.1**	24.1
Females	**25.9**	25.9

As at the annual measurement date of August 31, 2024, the weighted-average duration of the defined benefit obligation was 15 years (August 31, 2023 – 15 years).

(f) Sensitivity analysis

In the sensitivity analysis shown below, the defined benefit obligation is determined using the same method used to calculate the defined benefit obligation recognized in the statement of financial position. The assumptions used are the weighted average rates. The method used is consistent between all periods presented. The sensitivity is calculated by changing one assumption (or set of assumptions, in relation to the assumptions for salary, indexation and government benefit increases) while holding the others constant. The actual change in defined benefit obligation will likely be different from that shown in the table, since it is likely that more than one assumption considered independently will change, and that some assumptions are correlated.

		Defined benefit obligation		Benefit cost	
	Change in assumption + or -	Assumption increase	Assumption decrease	Assumption increase	Assumption decrease
Discount rate	0.25%	$ (273)	$ 290	$ (21)	$ 21
Salary, indexation, government benefit increases	0.25%	$ 273	$ (259)	$ 21	$ (20)
Health care trend rate	1%	$ 12	$ (10)	$ 1	$ (1)
Longevity (in years) for those currently aged 65	1 year	$ 204	$ (209)	$ 13	$ (13)

14. Employee benefits (continued)

(g) Risks associated with the defined benefit plans

The nature of these benefit obligations exposes the Company to a number of risks, the most significant of which is funding risk. Funding risk can be expressed as the probability of an unusually high level of required pension contributions or significant fluctuation in required pension contributions.

Adverse changes in the value of plan assets of the funded plan, long-term return and inflation expectations, interest rates and life expectancy could have a significant impact on pension funding requirements. The funded plan invests in assets that expose it to a range of investment risks. It has strategies, policies and processes in place to manage these risks. More specifically, funding risk is managed as follows:

(i) interest rate and inflation risks are managed via implementation of a LDI strategy that focuses on reducing the interest rate and inflation risk mismatch between the plan assets and its pension benefit obligations; and

(ii) market risk, credit risk and liquidity risk related to the plan assets are managed through diversification amongst different asset classes, securities, risk factors and geographies while adhering to established investment policies, guidelines and collateral requirements.

15. Provisions

Provisions for onerous contracts are recognized where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits to be received. During fiscal 2024, the Company reduced the onerous provision related to a technology sales and services contract by $6. This amount is included in Other operating expenses on the consolidated statements of operations. As at August 31, 2024, onerous provisions of $7 and $5 are included in other current liabilities and other non-current liabilities, respectively, on the consolidated statements of financial position (August 31, 2023 - $nil and $18, respectively).

16. Financial instruments and financial risk management

Summary of financial instruments

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the observability of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company recognizes any transfers between levels of the fair value measurement hierarchy at the beginning of the fiscal year in which the change occurs. There have been no transfers between levels of the fair value hierarchy since August 31, 2023.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price, regardless of whether that price is directly observable or estimated using another valuation technique. The calculation of estimated fair value is based on market conditions at a specific point in time and therefore may not be reflective of future fair values.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

16. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

The following table presents the carrying amount of the Company's financial instruments, by classification category and includes the fair value hierarchy classification for each financial instrument. Excluding long-term debt, the carrying amount approximates the fair value for all of the Company's financial instruments.

As at August 31, 2024	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents	**$ 647**	**$ -**	
Accounts receivable and other	**139**	**-**	
Current investments			
Debt service reserve fund	**81**	**-**	
Other current assets			
Derivative assets [(1)]	**-**	**1**	Level 2
Investment in preferred interests [(2)]	**-**	**203**	Level 3
Long-term receivables [(3)]	**26**	**-**	
	$ 893	**$ 204**	
Financial liabilities			
Trade and other payables			
Trade payables and accrued liabilities	**$ 266**	**$ -**	
Long-term debt (including current portion)			
Bonds and notes payable [(4)]	**2,155**	**-**	Level 2
	$ 2,421	**$ -**	

As at August 31, 2023	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents	$ 586	$ -	
Accounts receivable and other	149	-	
Current investments			
Short-term investments [(5)]	99	-	
Debt service reserve fund	77	-	
Other current assets			
Derivative assets [(1)]	-	1	Level 2
Investment in preferred interests [(2)]	-	203	Level 3
Long-term receivables [(3)]	50	-	
	$ 961	$ 204	
Financial liabilities			
Trade and other payables			
Trade payables and accrued liabilities	$ 262	$ -	
Long-term debt (including current portion)			
Bonds and notes payable [(4)]	2,354	-	Level 2
	$ 2,616	$ -	

(1) Derivative assets and liabilities consisting of only foreign exchange forwards agreements are recorded at fair value determined using prevailing foreign exchange market rates at the reporting date.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

16. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

(2) This instrument is recorded at fair value based on the valuation technique described in note 12.

(3) Long-term receivables include $27 of deferred payments related to the September 1, 2020 customer service charge increase as described in note 16 (b) (August 31, 2023 - $53), which are presented net of an estimated credit loss provision of $3 (August 31, 2023 - $4).

(4) The fair value of the Company's bonds and notes payable is classified as Level 2 in the fair value hierarchy as it is determined using secondary market ask prices at the reporting date. As at August 31, 2024, the fair value was $1,908 (August 31, 2023 - $2,045) inclusive of accrued interest of $22 (August 31, 2023 - $22).

(5) Short-term investments consist of Bearer Deposit Notes with an original maturity of more than three months from date of purchase.

Level 3 financial instruments

The following table summarizes the changes in the fair value of the Company's investment in preferred interests of Aireon, which is classified as Level 3:

	2024	**2023**
Fair value as at August 31, prior year	**$ 203**	$ 229
Net change in fair value [1]	**-**	(33)
Effect of foreign exchange [2]	**-**	7
Fair value as at August 31	**$ 203**	$ 203

(1) Net change in fair value is based on discounted future cash flows, which include preferred and common dividends. See note 6.

(2) Included in Other (within Other (income) and expenses) on the consolidated statements of operations.

Derivative financial instruments

From time to time, the Company holds forward dated interest rate swap agreements and bond and foreign exchange forward agreements to hedge risks from fluctuations in foreign exchange rates and interest rates. The time frame and manner in which the Company manages these risks varies for each item based upon the Company's assessment of the risk and available alternatives for mitigating the risk. Details of the derivative financial instruments for which the Company has applied hedge accounting are as follows:

(1) The Company holds foreign exchange forward agreements with a notional value of $112 CDN (€75 EUR) to hedge future payments related to the acquisition of systems and equipment over the four-year period ending August 31, 2029. The weighted average contract rate is 1.50. The carrying amount of these contracts is $nil as at August 31, 2024.

(2) The Company holds foreign exchange forward agreements with a total notional value of $104 CDN ($78 U.S.) to hedge payments for operating expenditures in the year ending August 31, 2025 and capital expenditures over the two-year period ending August 31, 2026. The weighted average contract rate is 1.34. The carrying amount of these contracts is $nil as at August 31, 2024.

As at August 31, 2023, the Company held foreign exchange forward agreements to purchase a total of $69 CDN ($52 U.S.) with a weighted average rate of 1.34. The carrying amount of these contracts was $1 and was included in current assets.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

16. Financial instruments and financial risk management (continued)

Derivative financial instruments (continued)

The Company's hedging relationships are subject to ineffectiveness should the timing of the forecasted transaction not occur as intended, when actual amounts significantly differ to the estimates, or as a result of changes in counterparty risk. For the years ended August 31, 2024 and 2023, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net income (loss).

For the year ended August 31, 2024, no gain or loss was recorded in OCI (August 31, 2023 - loss of $1).

Financial risk management

The Company is exposed to several risks as a result of holding financial instruments. The following is a description of these risks and how they are managed.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. The objective of market risk management is to contain market risk exposures within acceptable parameters, as set out in the Company's treasury policy that is approved by the Board.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table summarizes financial assets and liabilities exposed to interest risk:

As at August 31	2024	2023
Floating rate financial assets		
Cash	**$ 647**	$ 586
Total floating rate financial assets	**$ 647**	$ 586
Fixed rate financial assets		
Short-term investments	**-**	99
Debt service reserve fund investments	**81**	77
Total fixed rate financial assets	**$ 81**	$ 176
Fixed rate financial liabilities		
Bonds and notes payable [1]	**$ 2,155**	$ 2,354

[1] Bonds and notes payable includes both short-term and long-term portion.

Instruments included in the Company's cash and cash equivalents earn interest at prevailing and fluctuating market rates. If interest rates decline, earnings on these instruments would fall. A 100 basis point change in variable interest rates would result in an annual difference of approximately $6 in the Company's earnings before rate stabilization adjustments (August 31, 2023 - $6).

The Company does not account for any fixed rate financial assets or liabilities as FVTPL. Therefore, the impact of a change in interest rates at the reporting date on fixed rate assets or liabilities would not affect the Company's earnings.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

16. Financial instruments and financial risk management (continued)

Financial risk management (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Interest rate risk related to the Company's fixed-interest long-term debt relates to the re-setting of interest rates upon maturity and refinancing of the debt. The Company mitigates this source of interest rate risk by spreading maturities of borrowings over periods currently up to and including 2051 so that only a portion of outstanding debt will mature in any given fiscal year. The Company has not entered into any derivative contracts to manage interest rate risk as at August 31, 2024.

(ii) Foreign exchange risk

The Company is exposed to foreign exchange risk on sales and purchases that are denominated in currencies other than in the functional currency of the Company. However, the Company invoices and receives the vast majority of its revenue in Canadian dollars and also incurs operating expenses and capital expenditures primarily in Canadian dollars. In some cases, the Company uses forward foreign exchange contracts to mitigate its risk on contractual agreements in foreign currencies. The majority of the Company's exposure to foreign exchange risk relates to the U.S. dollar. The Company does not have a significant exposure arising from other currencies.

The Company's exposure to foreign exchange risk related to the U.S. dollar is as follows:

	August 31, 2024		August 31, 2023	
	CDN	U.S.	CDN	U.S.
Financial assets				
Current				
Cash and cash equivalents	**$ 5**	**$ 3**	$ 3	$ 2
Accounts receivable and other	**1**	**-**	1	-
Non-current				
Investment in preferred interests	**203**	**150**	203	150
Long-term receivables	**1**	**1**	1	1
	$ 210	**$ 154**	$ 208	$ 153
Financial liabilities				
Current				
Trade and other payables	**$ 9**	**$ 7**	$ 6	$ 4
Net exposure	**$ 201**	**$ 147**	$ 202	$ 149

The Company designates certain of its forward contracts as cash flow hedging instruments to hedge the Company's exposure to the impact of exchange rate fluctuations. As at August 31, 2024, the Company has forward foreign exchange contracts designated as cash flow hedging instruments with a fair value of $nil. Refer to the *Derivative financial instruments* section for further details. These instruments are not included in the table above.

The foreign exchange rate sensitivity is the net amount of foreign exchange rate exposure of the items at the reporting date, less foreign currency hedges. As at August 31, 2024, if the Canadian dollar strengthened or weakened by 10% against the U.S. dollar, all other variables remaining constant, net income (loss) before net movement in regulatory deferral accounts would have been impacted by $20 (August 31, 2023 - $20).

16. Financial instruments and financial risk management (continued)

Financial risk management (continued)

(a) Market risk (continued)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. In order to mitigate the risk of losses arising from investment activities, the Company only invests in highly-rated and short-term instruments, excluding Aireon.

The fair value of the Company's investment in preferred interests of Aireon was determined using a discounted cash flow model (see note 12). The estimated fair value of the investment may change in subsequent periods. Any such changes could be material and would be reflected in the statement of operations as they occur. A sensitivity analysis with respect to changes in the unobservable inputs to the valuations is discussed in note 12.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum credit risk to which the Company is exposed as at August 31, 2024 represents the carrying amount of cash, accounts receivable, reserve funds, investments and forward contracts to purchase or sell foreign currencies.

The current investments and cash equivalents, when applicable, are invested in accordance with the Company's restrictive investment policy to manage credit risk. The Company invests only in short-term obligations. The Company limits investments to obligations of the federal government, certain provincial governments, entities guaranteed by a federal or provincial government or other obligations of entities rated by at least two Nationally Recognized Statistical Rating Organizations with short-term ratings of high or highest quality. The Company does not invest in instruments with exposure to underlying synthetic assets. The Company's portfolio is diversified, with dollar and percentage investment limits per counterparty. None of the Company's holdings in cash and cash equivalents or investments are past due and all have short-term ratings in the high or highest quality category. Based on default rates and loss ratios for investment-grade bonds with similar maturities, any loss allowance is not significant and therefore none has been recognized.

Historically, accounts receivable are primarily short-term receivables from customers that arise in the normal course of business. The Company provides air navigation services to various aircraft operators, including Canadian and foreign commercial air carriers as well as small general aviation aircraft. Credit limits and compliance with payment terms are monitored by the Company to manage its exposure to credit loss. The Company has established a maximum credit limit of $4 for its largest air navigation services customers (with the exclusion for deferred payments), and it has other credit control measures that reduce its credit exposure. The Company's general payment terms provide for payment periods of thirty days for air navigation services and payment periods of up to forty-five days for some other types of services. Shorter payment terms are imposed where customer circumstances warrant. The Company's credit policies also require payments in advance or satisfactory security to be posted under certain circumstances for amounts receivable, including amounts that have been deferred for later collection.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

16. Financial instruments and financial risk management (continued)

Financial risk management (continued)

(b) Credit risk (continued)

The Company revised its customer service charges effective September 1, 2020, increasing customer service charges by an average of 29.5% on base rate levels. The customer service charge increase included provisions to ease the cash flow burden of the increase on customers through payment deferral mechanisms. For the Company's fiscal 2021, the portion of monthly invoices related to the customer service charge increase could be deferred and would become payable by customers in equal installments over the next five fiscal years, beginning in fiscal 2022. One-fifth of the deferred portion was payable by customers during fiscal 2024. The outstanding deferred customer service charges is $50 as at August 31, 2024 (August 31, 2023 - $76). These longer term payment provisions increase the Company's exposure to credit risk as payments required in advance and security deposits under the Company's credit policies may not be sufficient to cover potential losses.

The Company establishes an allowance for expected credit losses that represents its estimate of lifetime expected credit losses to be incurred in respect of accounts receivable. Based on the Company's current estimates and assumptions, including but not limited to current and forecasted economic and credit conditions as well as recent trends for customer collections, the allowance for expected credit losses is $3 as at August 31, 2024 (August 31, 2023 - $6). There were no significant balances past due.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash and cash equivalents or an available undrawn committed credit facility to meet its liquidity requirements in the short and longer term. Under the Company's MTI and GOI, the Company is required to maintain certain reserve funds and liquidity levels, as described in note 13.

The Company has a revolving credit facility with a syndicate of Canadian financial institutions, and separate letter of credit facilities for pension obligations. The credit facilities have been utilized as follows:

As at August 31		2024
Credit facilities for general purposes:		
Credit facility with a syndicate of Canadian financial institutions - undrawn (1) (2)	$	850
Less: Operations and maintenance reserve allocation (3)		(372)
Available for unrestricted use	$	478
Credit facilities for pension obligations:		
Letter of credit facilities for pension obligations (4)	$	860
Less: Outstanding letters of credit for pension obligations (4)		(837)
Undrawn committed letter of credit facilities	$	23

(1) The Company's credit facility with a syndicate of Canadian financial institutions is comprised of two equal tranches maturing on March 26, 2027 and March 26, 2029, respectively. The credit facility agreement provides for loans at varying rates of interest based on certain benchmark interest rates, specifically the Canadian prime rate and the Canadian Overnight Repo Rate Average (CORRA) rate, and on the Company's credit rating at the time of drawdown. The Company is required to pay commitment fees, which are dependent on the Company's credit rating.

(2) An allocation of $25 with a Canadian financial institution has been made under the $850 committed credit facility. As at August 31, 2024, $nil was drawn from an uncommitted revolving credit facility.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

16. Financial instruments and financial risk management (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)

(3) The Company is required to maintain a reserve of at least 25% of its prior year's annual operating and maintenance expenses, as defined in the MTI. As at August 31, 2024, the Company met this requirement with an allocation of $372 in undrawn availability under its committed credit facility.

(4) The letter of credit facilities for pension obligations are comprised of four facilities with Canadian financial institutions totalling $860, whereby $450 will mature on December 31, 2024 and $410 will mature on December 31, 2025, unless extended. As at August 31, 2024, $795 was drawn for solvency funding (August 31, 2023 - $751) for the registered pension plan and $42 for supplemental retirement arrangements (August 31, 2023 - $38).

17. Commitments

The following table presents a maturity analysis of the Company's undiscounted contractual cash flows for its financial liabilities, capital commitments, lease liabilities and other commitments as at August 31, 2024:

		Remaining payments – for years ending August 31					
	Total	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**
Trade payables and accrued liabilities	**$ 248**	$ 248	$ -	$ -	$ -	$ -	$ -
Long-term debt (including current portion) (1), (2)	**2,165**	16	301	223	-	-	1,625
Interest payments (2)	**1,157**	70	67	65	48	48	859
Capital commitments (3)	**253**	136	60	33	10	9	5
Lease liability	**54**	3	3	3	3	3	39
Related party loan (4)	**15**	15	-	-	-	-	-
	$ 3,892	$ 488	$ 431	$ 324	$ 61	$ 60	$ 2,528

(1) Payments represent principal of $2,165. The Company may choose to repay a portion of these maturities with available cash and/or may increase the size of a re-financing to generate additional liquidity or for other purposes, and/or may choose to redeem in whole or in part an issue in advance of its scheduled maturity.

(2) Further details on interest rates and maturity dates on long-term debt are provided in note 13.

(3) The Company has commitments for the acquisition of property, plant and equipment and intangible assets amounting to $253 as at August 31, 2024 (August 31, 2023 - $151).

(4) The Company has an agreement with Aireon to provide a subordinated loan up to a total of $15 CDN ($11 U.S.) through the earlier of October 10, 2028 or the date on which the senior credit facility is paid in full and terminated or refinanced.

In addition to the above commitments, as at August 31, 2024, there are outstanding letters of credit in the amount of $837 (note 16 (c)), which are comprised of amount drawn for pension solvency funding purposes (note 14).

18. Contingencies

(a) Legal contingencies

The Company is party to legal proceedings in the ordinary course of its business. Management does not expect the outcome of any of these proceedings to have a material adverse effect on the consolidated financial position or results of operations of the Company.

(b) Indemnification commitments

The Company has not provided any material guarantees other than indemnification commitments typically provided in the ordinary course of business as described below. These indemnification commitments require the Company to compensate the counterparties for costs and losses incurred as a result of various events and are similar to the type of indemnifications required by the Company from suppliers of services and products, or by other companies in the aviation industry.

The Company has provided the following significant indemnification commitments:

Provision of service and system sales

(i) The Company has entered into two agreements for the sale and maintenance of technology that would indemnify the counterparties up to a maximum of $1,000 for each occurrence and in the aggregate for losses sustained as a result of the negligence of the Company. The Company's ANS liability insurance provides coverage, subject to the terms and conditions of the policy, for these indemnification commitments. These indemnities survive termination of the agreements.

(ii) The Company entered into a sales agreement for the supply of an air traffic services data management system and provision of related services, which includes an indemnity to the counterparty for the cumulative liability of the Company in relation to any claim in any manner howsoever arising out of or in connection with the agreement, up to a maximum. The Company's liability insurance provides coverage, subject to the terms and conditions of the policy, for this indemnification commitment. This indemnity survives termination of the agreement.

Other agreements

In the ordinary course of business, the Company provides indemnification commitments to counterparties in transactions such as service arrangements, provision of maintenance services, system sales, sales of assets, licensing agreements, leasing and site usage transactions, contribution agreements, and director and officer indemnification commitments. These indemnification commitments require the Company to compensate the counterparties for costs and losses as a result of various events such as results of litigation claims, environmental contamination or statutory sanctions that may be suffered by a counterparty or third party as a consequence of the transaction or in limited cases, for liabilities arising from acts performed by or the negligence of the indemnified parties. The terms of these indemnification commitments vary based on the contract. Certain indemnification agreements extend for an unlimited period and generally do not provide for any limit on the maximum potential amount. The nature of these indemnification commitments does not permit a reasonable estimate of the aggregate potential amount that could be required to be paid. The Company has acquired liability insurance that provides coverage, subject to the terms and conditions of the insurance policy, for most of the indemnification commitments described in this paragraph.

Historically, the Company has not made any significant payments under any indemnification commitments and no material amount has been accrued in the financial statements with respect to these indemnification commitments.

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

19. Transactions with the Government of Canada

The Company has arrangements with a number of federal government departments and agencies for the provision of various services, such as enhanced security services, weather forecasting and observation, and facilities. These arrangements are based on commercially negotiated terms and conditions.

The Company also has an agreement with the Department of National Defence (DND) relating to the exchange of a variety of services with DND such as airspace controls, facilities, information and protocols and systems, for mutual benefit without significant cost or expense to either party.

The Company is contractually obligated to indemnify the Government of Canada for any loss suffered by or claimed against it which is covered by the Company's aviation operations liability insurance.

The Company has agreements with Transport Canada to receive funding under the NTCF for the financing of aviation network capacity and resilience improvements. Additions for assets under development for Property, plant and equipment and Intangible assets were reduced by $10 and $8, respectively, in fiscal 2024 (fiscal 2023 - $5 and $8, respectively) for amounts reimbursable under the agreements.

20. Related party transactions

The Company's related parties include its key management personnel, subsidiaries and associates and registered pension plan for its employees.

Balances and transactions between NAV CANADA and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

Key management personnel of the Company include members of the Board and Executive Management Committee. Key management personnel compensation included in the Company's net income (loss) was comprised of the following:

Years ended August 31	2024	2023
Salaries and other benefits	**$ 6**	$ 5
Defined benefits, including pension benefits	**2**	2
Management incentive plan	**2**	2
Other long-term benefits	**2**	2
	$ 12	$ 11

Transactions with associates

As discussed in note 12, the Company has a participation in Aireon. This participation has been classified as an investment in associate since the Company is able to exert significant influence over Aireon's strategic financial and operating activities. The net change in fair value of the Company's investment in preferred interests of Aireon is based on discounted future cash flows, which include preferred dividends. In addition, the Company has a 12-year commitment with Aireon to purchase data services, which commenced in March 2019. During the year ended August 31, 2024, the Company incurred $59 for the purchase of data services under this agreement (year ended August 31, 2023 - $55). The estimated total remaining commitment is $420 CDN ($312 U.S.).

Transactions with the registered pension plan

The Company's transactions with the Plan include contributions paid to the Plan and letters of credit for pension solvency funding purposes, which are disclosed in note 14, reimbursements from the Plan for certain costs in the amount of $18 for fiscal 2024 (fiscal 2023 - $11) and receivables from the Plan in the amount of $3 for fiscal 2024 (fiscal 2023 - $6).

As at and for the years ended August 31, 2024 and 2023 (millions of Canadian dollars)

21. Capital management

The Company is a non-share capital corporation and, as discussed in note 1, must not set customer service charges higher than what is required to meet its current and future financial requirements for the provision of civil air navigation services. The Company views capital as the sum of its issued long-term debt, retained earnings and accumulated other comprehensive income, regulatory deferral accounts and balances under certain employee benefit plans. This definition of capital is used by management and may not be comparable to measures presented by other companies. The Company's capital is as follows:

As at August 31		2024		2023
Bonds and notes payable (note 13)	**$**	**2,155**	$	2,354
Equity:				
Retained earnings		**28**		28
Regulatory deferral accounts:				
Debit balances (note 7)		**(1,139)**		(1,213)
Credit balances (note 7)		**444**		361
Employee benefits (note 14):				
LTD asset		**(1)**		(4)
Liability for funded pension benefits		**347**		376
Liability for accumulated sick leave		**19**		15
Total capital	**$**	**1,853**	$	1,917

In addition to tracking its capital as defined above for purposes of managing capital adequacy, the Company also takes into consideration known contingent exposures and obligations such as rate setting decisions made by the Board.

The Company's main objectives when managing capital are:

(i) to safeguard the Company's ability to continue as a going concern;

(ii) to provide funds for the ongoing acquisition of systems and equipment necessary to implement and maintain a modern, cost-efficient ANS technology platform;

(iii) to ensure the funding of reserve funds as well as working capital and liquidity requirements;

(iv) to ensure the funding of regulatory requirements such as funding defined benefit pension plan contributions;

(v) to maintain the Company's credit ratings to facilitate access to capital markets at competitive interest rates; and

(vi) to minimize interest costs incurred by the Company subject to appropriate risk mitigation actions.

Given that the Company has no share capital, these objectives are achieved through a process that determines an appropriate period and level of cost recoveries through customer service charge rate setting, as well as the appropriate amount of debt and committed credit facilities. This process includes the Company's operational and capital budgeting process and considers the overall economic and capital market environments. The optimal level of debt is reviewed on a regular basis and approved by the Board. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended August 31, 2024.