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Unaudited Interim Condensed Consolidated Financial Statements of

NAV CANADA

Three and six months ended February 29, 2020 and February 28, 2019

Interim Condensed Consolidated Statements of Operations (unaudited)

(millions of Canadian dollars)

	Notes	Three months ended February 29 2020	Three months ended February 28 2019	Six months ended February 29 2020	Six months ended February 28 2019
Revenue					
Customer service charges	3	$ 309	$ 304	$ 657	$ 648
Other revenue		13	13	29	26
		322	317	686	674
Operating expenses					
Salaries and benefits		277	255	542	500
Technical services		37	27	66	54
Facilities and maintenance		18	19	36	36
Depreciation and amortization	5, 6	39	38	76	76
Other		16	21	36	42
		387	360	756	708
Other (income) and expenses					
Finance income		(5)	(4)	(9)	(8)
Net interest expense relating to employee benefits		16	9	31	19
Other finance costs		17	18	37	37
Other (gains) and losses		(3)	4	(3)	(4)
		25	27	56	44
Net loss, before net movement in regulatory deferral accounts		(90)	(70)	(126)	(78)
Net movement in regulatory deferral accounts related to net loss, net of tax	4	40	26	79	32
Net loss, after net movement in regulatory deferral accounts	1	$ (50)	$ (44)	$ (47)	$ (46)

See accompanying notes to unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Loss (unaudited)

(millions of Canadian dollars)

	Notes	Three months ended February 29 2020	Three months ended February 28 2019	Six months ended February 29 2020	Six months ended February 28 2019
Net loss, after net movement in regulatory deferral accounts		$ (50)	$ (44)	$ (47)	$ (46)
Other comprehensive income (loss)					
Items that will be reclassified to income or (loss):					
Amortization of loss on cash flow hedge		1	-	1	-
Changes in fair value of cash flow hedges		-	(9)	-	(4)
Net movement in regulatory deferral accounts related to other comprehensive income		(1)	9	(1)	4
		-	-	-	-
Total other comprehensive income (loss)		-	-	-	-
Total comprehensive loss	1	$ (50)	$ (44)	$ (47)	$ (46)

See accompanying notes to unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)

	Notes	February 29 2020	August 31 2019
Assets			
Current assets			
Cash and cash equivalents		$ 48	$ 30
Accounts receivable and other		92	98
Investments		73	72
Other		14	13
		227	213
Non-current assets			
Investment in preferred interests		449	439
Property, plant and equipment	5	750	750
Intangible assets	6	893	906
Investment in equity-accounted investee		7	6
Related party loan receivable		3	3
Other non-current assets		2	1
		2,104	2,105
Total assets		2,331	2,318
Regulatory deferral account debit balances	4	2,171	2,087
Total assets and regulatory deferral account debit balances		$ 4,502	$ 4,405

See accompanying notes to unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)

	Notes	February 29 2020	August 31 2019
Liabilities			
Current liabilities			
Bank loan		$ 45	$ 8
Trade and other payables		230	242
Deferred revenue		17	7
Current portion of long-term debt		275	25
Other current liabilities		3	1
		570	283
Non-current liabilities			
Long-term debt		1,193	1,443
Employee benefits		2,318	2,226
Deferred tax liability		49	48
Lease liability		5	-
Other non-current liabilities		1	1
		3,566	3,718
Total liabilities		4,136	4,001
Equity			
Retained earnings (deficit)		(19)	28
Total equity		(19)	28
Total liabilities and equity		4,117	4,029
Regulatory deferral account credit balances	4	385	376
Commitments	8		
Total liabilities, equity and regulatory deferral account credit balances		$ 4,502	$ 4,405

See accompanying notes to unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

(millions of Canadian dollars)

	Retained earnings (deficit)	Accumulated other comprehensive income	Total
Balance August 31, 2018	$ 28	$ -	$ 28
Net loss after net movement in regulatory deferral accounts	(46)	-	(46)
Other comprehensive income (loss)	-	-	-
Balance February 28, 2019	$ (18)	$ -	$ (18)
Balance August 31, 2019	$ 28	$ -	$ 28
Net loss after net movement in regulatory deferral accounts	(47)	-	(47)
Other comprehensive income (loss)	-	-	-
Balance February 29, 2020	$ (19)	$ -	$ (19)

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

(millions of Canadian dollars)

		Three months ended		Six months ended	
	Notes	February 29 2020	February 28 2019	February 28 2020	February 28 2019
Cash flows from (used in):					
Operating					
Receipts from customer service charges		$ 316	$ 307	$ 669	$ 668
Other receipts		26	21	36	34
Payments to employees and suppliers		(281)	(284)	(557)	(573)
Pension contributions - current service		(21)	(22)	(46)	(48)
Other post-employment contributions		(2)	(1)	(4)	(2)
Interest payments		(19)	(20)	(36)	(40)
Interest receipts		-	1	1	1
		19	2	63	40
Investing					
Capital expenditures		(43)	(34)	(80)	(66)
Short-term loan		1	-	-	-
Loans to related parties		-	11	-	11
		(42)	(23)	(80)	(55)
Financing					
Net proceeds from bank loans		44	15	36	15
Payment of lease liabilities		-	-	(1)	-
Debt service reserve fund		-	(1)	-	(1)
		44	14	35	14
Increase (decrease) in cash and cash equivalents		21	(7)	18	(1)
Cash and cash equivalents at beginning of period		27	44	30	38
Cash and cash equivalents at end of period		$ 48	$ 37	$ 48	$ 37

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. Reporting entity

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 statement of operations after recording adjustments to the rate stabilization account. As a result, we expect no net change in retained earnings on an annual basis. The impacts of rate regulation on the Company's interim condensed consolidated financial statements are described in note 4.

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 77 Metcalfe Street, Ottawa, Ontario, Canada K1P 5L6. These interim condensed consolidated financial statements of NAV CANADA include the accounts of its subsidiaries.

2. Basis of presentation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*. As permitted under this standard, these interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2019 (2019 annual consolidated financial statements).

These interim condensed consolidated financial statements were authorized for issue by the Board on April 14, 2020.

2. Basis of presentation (continued)

(b) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for the following material 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 interim condensed consolidated financial statements are presented in Canadian dollars (CDN), which is the Company's functional and reporting currency, unless otherwise indicated. All information presented has been rounded to the nearest million dollars.

(d) Seasonality

The Company's operations have historically varied throughout the fiscal year, with highest revenue from air traffic experienced in the fourth quarter (June to August). This demand pattern is principally a result of the higher number of leisure travellers and their preference for travel in the summer months. The Company has a cost structure that is largely fixed, and accordingly costs do not vary significantly throughout the year.

(e) Significant accounting policies

Significant accounting policies used in these interim condensed consolidated financial statements are disclosed in note 3 of the 2019 annual consolidated financial statements, except for the application of new standards, amendments and interpretations effective September 1, 2019 as described in note 2 (f) of the Company's November 30, 2019 interim condensed consolidated financial statements. The note details the impact and changes in accounting policies as a result of the adoption of IFRS 16 – *Leases*, effective September 1, 2019. No other changes to significant accounting policies have been made subsequently. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

(f) Critical accounting estimates and judgments

The preparation of these interim condensed consolidated 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.

Critical judgments and key sources of estimation uncertainty are disclosed in note 2 (d) of the 2019 annual consolidated financial statements.

(millions of Canadian dollars)

3. Revenue

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

	Three months ended		Six months ended	
	February 29 2020	February 28 2019	February 29 2020	February 28 2019
Enroute [(1)]	$ 150	$ 147	$ 332	$ 324
Terminal [(2)]	126	126	258	256
Daily / annual / quarterly [(3)]	21	21	43	45
North Atlantic and international communication [(4)]	12	10	24	23
	$ 309	$ 304	$ 657	$ 648

(1) Enroute 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) Terminal 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) Daily / annual / quarterly 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) North Atlantic and international communication 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.

(millions of Canadian dollars)

4. 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:

	August 31 2019	Regulatory deferral	Recovery/ reversal	February 29 2020
Regulatory deferral account debit balances				
Deferred income tax	$ 48	$ 1	$ -	$ 49
Employee benefits:				
Accumulating sick leave	27	-	-	27
Other post-employment benefits re-measurements	31	-	(3)	28
Pension contributions (c)	194	88	-	282
Pension re-measurements	1,653	-	-	1,653
Supplemental pension re-measurements	64	-	(2)	62
Long-term disability contributions	-	(1)	2	1
Realized hedging transaction	70	-	(1)	69
	$ 2,087	$ 88	$ (4)	$ 2,171
Regulatory deferral account (credit) balances				
Rate stabilization account (b)	$ (93)	$ (16)	$ 18	$ (91)
Derivatives	(1)	-	-	(1)
Employee benefits:				
Long-term disability contributions	(1)	-	1	-
Change in the fair value of the investment in preferred interests	(274)	(10)	-	(284)
Investment in equity-accounted investee	(3)	(1)	-	(4)
Realized hedging transaction	(4)	-	1	(3)
Lease offset [1]	-	(2)	-	(2)
	$ (376)	$ (29)	$ 20	$ (385)

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

(millions of Canadian dollars)

4. 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 the net income (loss) as reported in the interim condensed consolidated statement of operations:

	Three months ended		Six months ended	
	February 29 2020	February 28 2019	February 29 2020	February 28 2019
Before net movement in regulatory deferral accounts:				
Revenue	$ 322	$ 317	$ 686	$ 674
Operating expenses	387	360	756	708
Other (income) and expenses	25	27	56	44
	(90)	(70)	(126)	(78)
Net movement in regulatory deferral accounts:				
Rate stabilization adjustments (b)	2	3	2	(1)
Other regulatory deferral account adjustments:				
Employee benefit pension contributions	46	25	88	45
Other employee benefits	(2)	(2)	(2)	(2)
Investment in preferred interests, before tax	(8)	-	(10)	(11)
Investment in equity-accounted investee	-	-	(1)	(1)
Income tax	1	-	1	1
Realized hedging transactions	1	-	1	1
	38	23	77	33
	40	26	79	32
Net loss, after net movement in regulatory deferral accounts	$ (50)	$ (44)	$ (47)	$ (46)

(b) Rate Stabilization Account

The rate stabilization account credit balance is comprised of operating deferrals. Should actual revenue exceed the Company's actual expenses, such excess is reflected as a credit to the rate stabilization account. Conversely, should actual revenue be less than actual expenses, such shortfall is reflected as a debit to the rate stabilization account. A debit balance in the rate stabilization account represents amounts recoverable through future customer service charges, while a credit balance represents amounts returnable through reductions in future customer service charges.

When establishing customer service charges, the Board considers the balance in the rate stabilization account, the extent to which operating costs are variable and available liquidity and sets the level as appropriate.

(millions of Canadian dollars)

4. Financial statement impact of regulatory accounting (continued)

(b) Rate Stabilization Account (continued)

On January 23, 2020, the Canadian Transportation Agency (CTA) upheld the Company's revised service charges which had been appealed by the International Air Transport Association (IATA) in September 2019. In February 2020, IATA, as supported by Air Canada, filed a Judicial Review application in relation to the CTA's decision. As a result, the decision of the CTA, in favour of NAV CANADA, cannot be considered final. The outcome of this Judicial Review application is indeterminable at this time.

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

	Three months ended		Six months ended	
	February 29 2020	February 28 2019	February 29 2020	February 28 2019
Rate stabilization account balance, beginning of period	$ 93	$ 128	$ 93	$ 124
Variances from planned results:				
Revenue lower than planned	(10)	-	(15)	(1)
Operating expenses lower than planned	6	1	15	13
Other (income) and expenses (higher) lower than planned	1	2	(5)	14
Net movement in other regulatory deferral accounts	10	(2)	21	(16)
Total variances from planned results	7	1	16	10
Initial approved adjustment (1)	(9)	(4)	(18)	(9)
Net movement in rate stabilization account recorded in net income (loss)	(2)	(3)	(2)	1
Rate stabilization account balance end of period	$ 91	$ 125	$ 91	$ 125

(1) In order to achieve breakeven results of operations in the year ending August 31, 2020 (fiscal 2020), the Board approved a reduction of the rate stabilization account as a result of a planned shortfall. As a result, $35 is being transferred out of the rate stabilization account evenly throughout the fiscal year (year ended August 31, 2019 - $18).

(millions of Canadian dollars)

4. Financial statement impact of regulatory accounting (continued)

(c) Pension Contributions

Included in regulatory deferral account debit balances at February 29, 2020 is $282 relating to the recovery through customer service charges of pension contributions (August 31, 2019 - $194). The accrued pension benefit liability, net of regulatory deferrals is as follows:

	February 29 2020	August 31 2019
Employee benefit liability	$ (1,901)	$ (1,813)
Less:		
Regulatory deferrals of non-cash adjustments	1,653	1,653
Benefit contributions less than benefit expense	$ (248)	$ (160)
Regulatory debit balances - recovery of contributions	$ 282	$ 194
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 plans. The objective of this approach is to reflect the cash cost of the funded pension plans 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 contributions of $282, is the recovery of $10 of solvency deficiency contributions of $44 paid in the fiscal year ended August 31, 2017 (fiscal 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 statement of operations is summarized below.

	Three months ended		Six months ended	
	February 29 2020	February 28 2019	February 29 2020	February 28 2019
Consolidated statement of operations				
Pension current service expense [(1)]	$ 55	$ 41	$ 109	$ 82
Net interest expense [(1)]	12	6	25	12
Less: Regulatory deferrals	(46)	(25)	(88)	(45)
	21	22	46	49
Company cash pension contributions				
Going concern current service	21	22	46	49
Regulatory recovery of fiscal 2017 solvency contributions	$ -	$ -	$ -	$ -

(1) For the three and six months ended February 29, 2020, pension current service expense does not include $1 and $3 respectively, related to the Company's unfunded pension plan (three and six months ended February 28, 2019 - $2 and $3, respectively) and net interest expense does not include $1 and $2 respectively, related to the Company's unfunded pension plan (three and six months ended February 28, 2019 - $1 and $2 respectively).

(millions of Canadian dollars)

5. Property, plant and equipment

Property, plant and equipment are comprised of the following:

	Land and buildings[1]	Systems and equipment	Assets under development	Total
Cost				
Balance at August 31, 2019	$ 280	$ 745	$ 117	$ 1,142
IFRS 16 transitional amount	9	-	-	9
Additions	-	-	32	32
Transfers	1	62	(63)	-
Balance at February 29, 2020	$ 290	$ 807	$ 86	$ 1,183
Accumulated depreciation				
Balance at August 31, 2019	$ 69	$ 323	$ -	$ 392
Depreciation	10	31	-	41
Balance at February 29, 2020	$ 79	$ 354	$ -	$ 433
Carrying amounts				
At August 31, 2019	$ 211	$ 422	$ 117	$ 750
At February 29, 2020	$ 211	$ 453	$ 86	$ 750

(1) Included in Land and buildings is the right-of-use asset related to the Company's head office lease (refer to note 2 (e)). Depreciation of $2 was recognized during the six months ended February 29, 2020 resulting in a carrying amount as at February 29, 2020 of $7.

(millions of Canadian dollars)

6. Intangible assets

Intangible assets are comprised of the following:

	Air navigation right	Purchased software	Internally developed software	Assets under development	Total
Cost					
Balance at August 31, 2019	$ 702	$ 195	$ 265	$ 39	$ 1,201
Additions	-	-	-	22	22
Transfers	-	2	22	(24)	-
Balance at February 29, 2020	$ 702	$ 197	$ 287	$ 37	$ 1,223
Accumulated amortization					
Balance at August 31, 2019	$ 125	$ 83	$ 87	$ -	$ 295
Amortization	13	10	12	-	35
Balance at February 29, 2020	$ 138	$ 93	$ 99	$ -	$ 330
Carrying amounts					
At August 31, 2019	$ 577	$ 112	$ 178	$ 39	$ 906
At February 29, 2020	$ 564	$ 104	$ 188	$ 37	$ 893

(millions of Canadian dollars)

7. Financial instruments and financial risk management

Summary of financial instruments

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 as defined in note 15 of the 2019 annual consolidated financial statements. Excluding long-term debt, the carrying amount approximates the fair value for all of the Company's financial instruments.

	February 29, 2020		
	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents [1]	$ 48	$ -	
Accounts receivable and other	89	-	
Current investments			
Debt service reserve fund	73	-	
Other current assets			
Derivative assets [2]	-	2	Level 2
Investment in preferred interests [3]	-	449	Level 3
Related party loan receivable	3	-	
Other non-current assets			
Non-current derivative assets [2]	-	1	
Long-term receivables	1	-	
	$ 214	$ 452	
Financial liabilities			
Bank loan [4]	$ 45	$ -	
Trade and other payables			
Trade payables and accrued liabilities	225	-	
Long-term debt (including current portion)			
Bonds and notes payable [5]	1,468	-	Level 2
Lease liabilities (including current portion) [6]	8	-	
	$ 1,746	$ -	

(millions of Canadian dollars)

7. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

	August 31, 2019		
	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents [1]	$ 30	$ -	
Accounts receivable and other	94	-	
Current investments			
Debt service reserve fund	72	-	
Other current assets			
Derivative assets [2]	-	1	Level 2
Investment in preferred interests [3]	-	439	Level 3
Related party loan receivable	3	-	
Other non-current assets			
Long-term receivables	1	-	
	$ 200	$ 440	
Financial liabilities			
Bank loan [4]	$ 8	$ -	
Trade and other payables			
Trade payables and accrued liabilities	233	-	
Derivative liabilities [2]	-	1	Level 2
Long-term debt (including current portion)			
Bonds and notes payable [5]	1,468	-	Level 2
	$ 1,709	$ 1	

(1) Cash and cash equivalents includes $5 of short-term investments as at February 29, 2020 (August 31, 2019 - $5).

(2) Current and non-current derivative assets and liabilities are recorded at fair value determined using prevailing foreign exchange market rates and interest rates at the reporting date.

(3) This instrument is recorded at fair value based on the valuation technique described in note 10 of the 2019 annual consolidated financial statements.

(4) This bank loan was drawn from the Company's syndicated credit facility in the form of a Banker's Acceptance and has a discount rate based on the Canadian Dollar Offered Rate plus an applicable margin

(5) The fair value of the Company's bonds and notes payable are classified as Level 2 in the fair value hierarchy as they are determined using secondary market asking prices at the reporting date. As at February 29, 2020, the fair value was $1,761 (August 31, 2019 - $1,771), inclusive of accrued interest of $20 (August 31, 2019 - $20).

(6) Lease liabilities are measured on a discounted cash flow basis using their incremental borrowing rate.

There have been no transfers between levels of the fair value hierarchy since August 31, 2019.

(millions of Canadian dollars)

7. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

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

		Investment in preferred interests
Fair value as at August 31, 2019	$	439
Net increase in fair value [(1)]		6
Effect of foreign exchange [(2)]		4
Fair value as at February 29, 2020	$	449

[(1)] Net increase in fair value includes accrued dividend income and is included in Finance income on the consolidated statement of operations.

[(2)] Included in Other (gains) and losses on the consolidated statement of operations.

Financial risk management

The Company is exposed to several risks as a result of holding financial instruments, including interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk. The Company's exposure to financial risks and how the Company manages each of those risks are described in note 15 (a)-(c) to the 2019 annual consolidated financial statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the six months ended February 29, 2020, except as noted below and as a result of anticipated future impacts of the COVID-19 pandemic as discussed in note 9.

(a) Liquidity risk

As at February 29, 2020, the Company's credit facilities available for unrestricted use are $495 (August 31, 2019 - $374). On September 12, 2019, the Company's credit facility with a syndicate of Canadian financial institutions was increased by $175 to a total of $850. The credit facility is comprised of two equal tranches maturing on September 12, 2022 and September 12, 2024.

(millions of Canadian dollars)

8. Commitments

The following table presents a maturity analysis of the Company's undiscounted contractual cash flows for its financial liabilities, capital commitments, contract commitments and lease liabilities as at February 29, 2020:

	Remaining payments – for years ending August 31						
	Total	2020	2021	2022	2023	2024	Thereafter
Bank loan	$ 45	$ 45	$ -	$ -	$ -	$ -	$ -
Trade payables and accrued liabilities	207	207	-	-	-	-	-
Long-term debt (including current portion) (1), (2)	1,475	25	275	25	25	25	1,100
Interest payments (2)	946	34	63	56	54	52	687
Capital commitments	103	52	23	11	3	3	11
Operating contract commitments	16	2	4	3	3	1	3
Future lease liabilities (3)	59	-	-	-	2	3	54
Lease liability	8	2	3	3	-	-	-
Related party loan (4)	15	15	-	-	-	-	-
	$ 2,874	$ 382	$ 368	$ 98	$ 87	$ 84	$ 1,855

(1) Payments represent principal of $1,475. The Company intends to refinance principal maturities at their maturity dates. 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 14 of the 2019 annual consolidated financial statements.

(3) The Company has entered into a commitment for the lease of head office space commencing in the fiscal year ending August 31, 2023. The annual commitment is approximately $3 with a term of 20 years. The current head office lease is set to expire on October 31, 2022.

(4) During the three months ended February 29, 2020, the Company entered into an agreement with Aireon to provide a subordinated loan, up to a total of $11 U.S. ($15 CDN).

9. Subsequent events

Subsequent to February 29, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries responding in different ways to address the outbreak. The Company has taken the necessary measures to ensure that Canada's air navigation system continues to operate safely and efficiently. The Company is currently assessing the financial impact, which may be significant, and will address the consequences as appropriate.