UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF NAV CANADA

THREE AND NINE MONTHS ENDED **MAY 31, 2026** AND **2025**

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NAV CANADA

NAV CANADA
Interim Condensed Consolidated Statements of Operations (unaudited)

(millions of Canadian dollars)	Notes	Three months ended May 31 2026	Three months ended May 31 2025	Nine months ended May 31 2026	Nine months ended May 31 2025
Revenue					
Customer service charges	3	**$ 457**	$ 457	**$ 1,326**	$ 1,289
Other revenue		**7**	9	**18**	22
		464	466	**1,344**	1,311
Operating expenses					
Salaries and benefits		**343**	320	**989**	933
Technical services		**53**	46	**154**	142
Facilities and maintenance		**18**	17	**51**	48
Depreciation and amortization	5, 6	**35**	33	**101**	102
Other		**23**	27	**74**	69
		472	443	**1,369**	1,294
Other (income) and expenses					
Finance income		**(3)**	(6)	**(14)**	(30)
Net interest expense relating to employee benefits		**5**	8	**11**	24
Other finance expense		**34**	28	**60**	55
Other (gains) and losses		**(3)**	12	**(1)**	(3)
		33	42	**56**	46
Net loss, before net movement in regulatory deferral accounts		**(41)**	(19)	**(81)**	(29)
Net movement in regulatory deferral accounts related to net income (loss), net of tax	4	**41**	19	**81**	29
Net income (loss), after net movement in regulatory deferral accounts		**$ -**	$ -	**$ -**	$ -

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(millions of Canadian dollars)	Notes	Three months ended May 31 2026	Three months ended May 31 2025	Nine months ended May 31 2026	Nine months ended May 31 2025
Net income (loss), after net movement in regulatory deferral accounts		**$ -**	$ -	**$ -**	$ -
Items that will be reclassified to income or (loss)					
Amortization of loss on cash flow hedges		**2**	1	**2**	1
Change in fair value of cash flow hedges		**(1)**	(4)	**(2)**	1
Net movement in regulatory deferral accounts related to other comprehensive income		**(1)**	3	**-**	(2)
Total other comprehensive income (loss)		**-**	-	**-**	-
Total comprehensive income (loss)	1	**$ -**	$ -	**$ -**	$ -

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)	Notes	May 31 2026	August 31 2025 [(1)]
Assets			
Current assets			
Cash and cash equivalents		**$ 327**	$ 742
Accounts receivable and other		**120**	143
Investments	9	**86**	84
Prepaid expenses and other		**24**	22
		557	991
Non-current assets			
Property, plant, and equipment	5	**913**	830
Intangible assets	6	**736**	719
Investment in preferred interests	7	**234**	241
Employee benefits		**14**	44
Long-term prepaid expenses		**22**	18
Long-term receivables and other		**2**	7
		1,921	1,859
Total assets		**2,478**	2,850
Regulatory deferral account debit balances	4	**1,139**	1,072
Total assets and regulatory deferral account debit balances		**$ 3,617**	$ 3,922

See accompanying notes to unaudited interim condensed consolidated financial statements.

(1) See note 2(h) for details.

NAV CANADA
Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)	Notes	May 31 2026	August 31 2025
Liabilities			
Current liabilities			
Trade and other payables		**$ 359**	$ 351
Current portion of long-term debt		**16**	301
Deferred revenue		**6**	7
Other		**5**	8
		386	667
Non-current liabilities			
Long-term debt		**1,824**	1,839
Employee benefits		**414**	407
Lease liability		**33**	35
Other		**7**	7
		2,278	2,288
Total liabilities		**2,664**	2,955
Equity			
Retained earnings		**28**	28
Total equity		**28**	28
Total liabilities and equity		**2,692**	2,983
Regulatory deferral account credit balances	4	**925**	939
Commitments	10		
Total liabilities, equity and regulatory deferral account credit balances		**$ 3,617**	$ 3,922

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

(millions of Canadian dollars)	Retained earnings	Accumulated other comprehensive income	Total
Balance August 31, 2024	$ 28	$ -	$ 28
Net income (loss), after net movement in regulatory deferral accounts	-	-	-
Other comprehensive income (loss)	-	-	-
Balance May 31, 2025	$ 28	$ -	$ 28
Balance August 31, 2025	**$ 28**	**$ -**	**$ 28**
Net income (loss), after net movement in regulatory deferral accounts	**-**	**-**	**-**
Other comprehensive income (loss)	**-**	**-**	**-**
Balance May 31, 2026	**$ 28**	**$ -**	**$ 28**

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA
Interim Condensed Consolidated Statements of Cash Flow (unaudited)

(millions of Canadian dollars)	Notes	Three months ended May 31 2026	Three months ended May 31 2025	Nine months ended May 31 2026	Nine months ended May 31 2025
Cash flows from (used in):					
Operating					
Receipts from customer service charges		**$ 440**	$ 460	**$ 1,338**	$ 1,321
Other receipts		**6**	7	**19**	29
Government grants received		**1**	-	**1**	-
Payments to employees and suppliers		**(377)**	(362)	**(1,160)**	(1,074)
Pension contributions - current service		**(19)**	(20)	**(62)**	(62)
Other post-employment benefit payments		**(2)**	(1)	**(7)**	(5)
Interest payments		**(22)**	(24)	**(58)**	(60)
Interest receipts		**2**	6	**12**	20
		29	66	**83**	169
Investing					
Capital expenditures		**(87)**	(60)	**(212)**	(152)
Government grants received		**7**	21	**15**	25
		(80)	(39)	**(197)**	(127)
Financing					
Repayment of long-term debt		**(16)**	(16)	**(301)**	(16)
Payment of lease liabilities		**(1)**	(1)	**(2)**	(2)
		(17)	(17)	**(303)**	(18)
Cash flows (used in) from operating, investing and financing activities		**(68)**	10	**(417)**	24
Effect of foreign exchange on cash and cash equivalents		**2**	1	**2**	4
Increase (decrease) in cash and cash equivalents		**(66)**	11	**(415)**	28
Cash and cash equivalents at beginning of period		**393**	664	**742**	647
Cash and cash equivalents at end of period		**$ 327**	$ 675	**$ 327**	$ 675

See accompanying notes to unaudited interim condensed 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) 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. The impacts of rate regulation on the Company's interim condensed consolidated financial statements (the 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 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 International Accounting Standards (IAS) 34 *Interim Financial Reporting*. As permitted under this standard, these financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2025 (2025 annual financial statements).

These financial statements include the accounts of all NAV CANADA subsidiaries and were authorized for issue by the Board on July 10, 2026.

(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.

2. Basis of presentation (continued)

(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.

(d) Seasonality

The Company's operations have historically varied throughout the fiscal year, with the 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) Accounting policies

The accounting policies applied in these financial statements are disclosed in note 3 of the 2025 annual financial statements and have been applied consistently to all periods presented.

(f) 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.

Critical judgments and key sources of estimation uncertainty are disclosed in note 2 (d) of the 2025 annual financial statements.

(g) Future accounting pronouncements

The IASB has issued the following new standard, which is not yet effective. The Company is currently assessing its potential impact on the financial statements. The Company does not anticipate early adoption.

IFRS 20 Regulatory Assets and Regulatory Liabilities

In May 2026, the IASB issued *IFRS 20 Regulatory Assets and Regulatory Liabilities* which will replace *IFRS 14 Regulatory Deferral Accounts*. The new standard introduces a comprehensive model for the effects of rate regulation, including the recognition of regulatory assets and liabilities and related regulatory income and expense. IFRS 20 is effective for annual reporting periods beginning on or after January 1, 2029.

h) Comparative information

The Company reclassified comparative figures for the year ended August 31, 2025 (fiscal 2025) to correct an immaterial misstatement in the consolidated statements of financial position, resulting in a decrease in prepaid expenses and other and a corresponding increase in long-term prepaid expenses of $18.

Three and nine months ended May 31, 2026 and 2025 (millions of Canadian dollars)

3. Revenue

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

	Three months ended May 31		Nine months ended May 31	
	2026	**2025**	**2026**	**2025**
Enroute [(1)]	**$ 217**	$ 217	**$ 626**	$ 606
Terminal [(2)]	**199**	198	**579**	568
Daily / annual / quarterly [(3)]	**15**	15	**44**	40
North Atlantic and international communication [(4)]	**26**	27	**77**	75
	$ 457	$ 457	**$ 1,326**	$ 1,289

(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 charge rates effective January 1, 2025, increasing overall service charges by an average of 3.73% (January 1, 2024 – average decrease of 5.57%).

On May 22, 2026, the Company announced a proposed revision of its customer service charge rates effective September 1, 2026, increasing overall charges by an average of 1.92%. The proposal is subject to a mandatory 60-day engagement period under the ANS Act.

Three and nine months ended May 31, 2026 and 2025 (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 2025	Deferral	Recovery/ reversal	May 31 2026
Rate stabilization account (b)	$ 60	$ 44	$ (6)	**$ 98**
Derivatives	3	(1)	-	**2**
Employee pension benefits:				
Pension costs (c)	790	30	-	**820**
Other pension benefits:				
Accumulated non-vested sick leave	22	-	-	**22**
Supplemental pension re-measurements	36	-	(5)	**31**
Realized hedging transaction	59	-	(2)	**57**
Leases	3	1	-	**4**
Decommissioning liability	1	-	-	**1**
Allowance for expected credit losses	1	-	(1)	**-**
Cloud computing arrangements	71	20	(7)	**84**
Asset impairment	26	-	(6)	**20**
Debit balances	$ 1,072	$ 94	$ (27)	**$ 1,139**
Derivatives	$ (7)	$ 3	$ -	**$ (4)**
Employee pension benefits:				
Pension re-measurements (c)	(800)	-	-	**(800)**
Other pension benefits:				
Accumulated vested sick leave	(5)	-	(1)	**(6)**
Other post-employment benefits re-measurements	(51)	-	4	**(47)**
Change in the fair value of the investment in preferred interests	(76)	8	-	**(68)**
Credit balances	$ (939)	$ 11	$ 3	**$ (925)**

Three and nine months ended May 31, 2026 and 2025 (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 net income (loss):

	Three months ended May 31		Nine months ended May 31	
	2026	**2025**	**2026**	**2025**
Revenue	**$ 464**	$ 466	**$ 1,344**	$ 1,311
Operating expenses	**472**	443	**1,369**	1,294
Other (income) and expenses	**33**	42	**56**	46
Net loss, before net movement in regulatory deferral accounts	**(41)**	(19)	**(81)**	(29)
Rate stabilization adjustments (b)	**9**	(18)	**38**	(7)
Other regulatory deferral account adjustments:				
Employee benefit pension costs	**11**	18	**30**	48
Other employee benefits	**-**	(2)	**(2)**	(4)
Investment in preferred interests	**15**	21	**8**	(11)
Cloud computing arrangements	**7**	3	**13**	11
Asset impairment	**(2)**	(2)	**(6)**	(7)
Other	**1**	(1)	**-**	(1)
	32	37	**43**	36
Net movement in regulatory deferral accounts	**41**	19	**81**	29
Net income (loss), after net movement in regulatory deferral accounts	**$ -**	$ -	**$ -**	$ -

(b) Rate stabilization account

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.

Three and nine months ended May 31, 2026 and 2025 (millions of Canadian dollars)

4. Financial statement impact of regulatory accounting (continued)

(b) Rate stabilization account (continued)

When establishing customer service charge rates, 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:

	Three months ended May 31		Nine months ended May 31	
	2026	2025	2026	2025
Debit balance, beginning of period	**$ (89)**	$ (186)	**$ (60)**	$ (175)
Variances from planned results:				
Revenue (lower) higher than planned	**(3)**	11	**(16)**	6
Operating expenses lower than planned	**13**	15	**32**	51
Other net expenses (higher) lower than planned	**(10)**	(22)	**6**	11
Net movement in other regulatory deferral accounts	**9**	26	**(16)**	7
Total variances from planned results	**9**	30	**6**	75
Initial approved adjustment [(1)]	**(18)**	(12)	**(44)**	(68)
Net movement recorded in net income (loss)	**(9)**	18	**(38)**	7
Debit balance, end of period	**$ (98)**	$ (168)	**$ (98)**	$ (168)

(1) To achieve breakeven results of operations after the application of rate regulated accounting, the Board approved the budget for the year ending August 31, 2026 (fiscal 2026) which included a planned $34 reduction in the debit position of the rate stabilization account. The planned quarterly change in the rate stabilization account is aligned with the planned quarterly results, which may fluctuate, resulting in either an addition to or a reduction of the account.

Three and nine months ended May 31, 2026 and 2025 (millions of Canadian dollars)

4. Financial statement impact of regulatory accounting (continued)

(c) Pension costs

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 regulatory adjustments. These regulatory adjustments represent the cumulative difference between the pension benefit costs as determined by IAS 19 *Employee Benefits* and the annual going concern cash cost of the plan. Regulatory deferral account debit balances related to the planned recovery of pension costs through customer service charges as at May 31, 2026 is $820 (August 31, 2025 - $790) which includes the impact of solvency deficiency contributions. Solvency deficiency contributions of $44 were paid in the fiscal year ended August 31, 2017 and the remaining balance of $34 is expected to be recovered through future customer service charges.

		May 31 2026		August 31 2025
Pension benefit asset	**$**	**14**	$	44
Regulatory deferrals of pension remeasurements		**(800)**		(800)
		(786)		(756)
Regulatory debit balance - recovery of pension costs		**820**		790
Cash contributions to be recovered	**$**	**34**	$	34

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

	Three months ended May 31				Nine months ended May 31			
		2026		**2025**		**2026**		**2025**
Consolidated statements of operations								
Pension current service expense [1]	**$**	**32**	$	33	**$**	**96**	$	98
Net interest (income) expense [1]		**(1)**		3		**(4)**		10
Less: Regulatory deferrals		**(11)**		(18)		**(30)**		(48)
	$	**20**	$	18	**$**	**62**	$	60
Company cash pension contributions								
Going concern current service - cash payment	**$**	**20**	$	18	**$**	**62**	$	60
	$	**20**	$	18	**$**	**62**	$	60

(1) For the nine months ended May 31, 2026, pension current service expense does not include $1, related to the Company's unfunded pension plan (three and nine months ended May 31, 2025 - $2 and $3 respectively). Net interest (income) expense for the three and nine months ended May 31, 2026 does not include $4 and $6 respectively, related to the Company's unfunded pension plan (three and nine months ended May 31, 2025 - $4 and $6 respectively).

Three and nine months ended May 31, 2026 and 2025 (millions of Canadian dollars)

5. Property, plant and equipment

Property, plant and equipment are comprised of the following:

	Land and buildings	Systems and equipment	Assets under development [1]	Total
Cost				
Balance at August 31, 2025	$ 531	$ 918	$ 236	$ 1,685
Additions	-	-	142	142
Disposals	-	(2)	-	(2)
Transfers	37	72	(109)	-
Balance at May 31, 2026	**$ 568**	**$ 988**	**$ 269**	**$ 1,825**
Accumulated depreciation				
Balance at August 31, 2025	$ 191	$ 664	$ -	$ 855
Depreciation	19	40	-	59
Disposals	-	(2)	-	(2)
Balance at May 31, 2026	**$ 210**	**$ 702**	**$ -**	**$ 912**
Carrying amounts				
At August 31, 2025	$ 340	$ 254	$ 236	$ 830
At May 31, 2026	**$ 358**	**$ 286**	**$ 269**	**$ 913**

[1] Additions to assets under development are shown net of $4 (fiscal 2025 - $6) related to government funding under the National Trade Corridors Fund (NTCF).

Three and nine months ended May 31, 2026 and 2025 (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 [1]	Total
Cost					
Balance at August 31, 2025	$ 702	$ 194	$ 356	$ 118	$ 1,370
Additions	-	-	-	59	59
Transfers	-	2	21	(23)	-
Balance at May 31, 2026	**$ 702**	**$ 196**	**$ 377**	**$ 154**	**$ 1,429**
Accumulated amortization					
Balance at August 31, 2025	$ 276	$ 144	$ 231	$ -	$ 651
Amortization	19	4	19	-	42
Balance at May 31, 2026	**$ 295**	**$ 148**	**$ 250**	**$ -**	**$ 693**
Carrying amounts					
At August 31, 2025	$ 426	$ 50	$ 125	$ 118	$ 719
At May 31, 2026	**$ 407**	**$ 48**	**$ 127**	**$ 154**	**$ 736**

[1] Additions to assets under development are shown net of $7 (fiscal 2025 - $24) related to government funding under the NTCF.

7. Investment in preferred interests of Aireon

On May 13, 2026, the Company entered into a definitive securities purchase agreement to sell its investment in preferred interests of Aireon Holdings LLC (together with its wholly owned subsidiary, Aireon LLC, “Aireon”), through the sale of all issued and outstanding shares of NAV CANADA Satellite, Inc., to a subsidiary of Iridium Communications Inc. for total consideration of $170 U.S. The closing of the transaction is subject to customary closing conditions.

The purchase price, net of transaction costs, is receivable in two equal tranches, with 50% payable at closing and the remaining 50% payable on the one-year anniversary of closing.

As at May 31, 2026, the Company measured its investment in the preferred interests of Aireon at fair value of $234 CDN ($170 U.S.) (August 31, 2025 – $241 CDN ($175 U.S.)). The fair value measurement was based on the agreed transaction price pursuant to the definitive securities purchase agreement. The fair value measurement is classified within Level 3 of the fair value hierarchy, as the investment is not traded in an active market; however, the agreed transaction price represents the most relevant observable input available for determining fair value as at May 31, 2026.

The Company recognized a change in fair value of the investment in preferred interests of $17 CDN ($12 U.S.) and $7 CDN ($5 U.S.), respectively, during the three and nine months ended May 31, 2026, within other finance expense in the financial statements and is offset by regulatory adjustments included in the net movement of regulatory deferral accounts.

The Company continues to defer the excess of the fair value over the original cost of the investment, as well as related foreign exchange impacts in the regulatory deferral accounts, until such time as all proceeds are received.

Three and nine months ended May 31, 2026 and 2025 (millions of Canadian dollars)

8. Long-term debt

On February 9, 2026, the Company repaid the $285 Series 0.937% 2021-1 General Obligation Notes upon maturity and on March 1, 2026 paid the $16 annual amortization payment for the Series 97-2 amortizing revenue bonds. Long-term debt as at May 31, 2026 is $1,840, including $16 classified as current. The Company's long-term debt and security are described in note 12 of the 2025 annual financial statements.

9. 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 14 of the 2025 annual financial statements. Excluding long-term debt, the carrying amount approximates the fair value of all the Company's financial instruments.

As at May 31, 2026	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents	$ 327	$ -	
Accounts receivable and other	108	-	
Current investments			
Debt service reserve fund	86	-	
Other current assets			
Derivative assets [(1)]	-	3	Level 2
Investment in preferred interests	-	234	Level 3
Long-term receivables	1	-	
Other non-current assets			
Derivative assets	-	1	Level 2
	$ 522	$ 238	
Financial liabilities			
Trade and other payables			
Trade payables and accrued liabilities	$ 349	$ -	
Other current liabilities			
Derivative liabilities [(1)]	-	1	Level 2
Long-term debt (including current portion)			
Bonds and notes payable [(2)]	1,840	-	Level 2
	$ 2,189	$ 1	

Three and nine months ended May 31, 2026 and 2025 (millions of Canadian dollars)

9. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

As at August 31, 2025	Amortized Cost	FVTPL	Fair value hierarchy
Financial assets			
Cash and cash equivalents	$ 742	$ -	
Accounts receivable and other	134	-	
Current investments			
Debt service reserve fund	84	-	
Other current assets			
Derivative assets (1)	-	3	Level 2
Investment in preferred interests	-	241	Level 3
Long-term receivables	4	-	
Non-current derivative assets	-	3	Level 2
	$ 964	$ 247	
Financial liabilities			
Trade and other payables			
Trade payables and accrued liabilities	$ 345	$ -	
Other current liabilities			
Derivative liabilities	-	3	Level 2
Long-term debt (including current portion)			
Bonds and notes payable (2)	2,140	-	Level 2
	$ 2,485	$ 3	

(1) Derivative assets and liabilities are recorded at fair value determined using prevailing foreign exchange market rates and interest rates at the reporting date.

(2) 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 May 31, 2026, the fair value was $1,591 (August 31, 2025 - $1,862), inclusive of accrued interest of $16 (August 31, 2025 - $21).

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 14 (a)-(c) of the 2025 annual financial statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the nine months ended May 31, 2026, except as noted below.

Liquidity risk

The Company's credit facility with a syndicate of Canadian financial institutions of $850 comprises two equal tranches maturing on March 26, 2029, and March 26, 2031, respectively. The maturity dates for both tranches were extended by one year during the nine months ended May 31, 2026.

Three and nine months ended May 31, 2026 and 2025 (millions of Canadian dollars)

9. Financial instruments and financial risk management (continued)

Summary of financial instruments (continued)

In addition to the Company's syndicated credit facility, there are four letter of credit facilities for pension obligations totalling $820 as at May 31, 2026 (August 31, 2025 - $860). During the nine months ended May 31, 2026, all four letter of credit facilities were extended by one year, whereby $450 will mature on December 31, 2026 and $370 will mature on December 31, 2027, unless extended. As at May 31, 2026, $670 was drawn for solvency funding (August 31, 2025 - $670) for the registered pension plan and $44 for supplemental retirement arrangements (August 31, 2025 - $44). Subsequent to May 31, 2026, the Company filed the actuarial valuation for the registered pension plan dated January 1, 2026 with the Office of the Superintendent of Financial Institutions. As permitted by regulations, the filed valuation reflects the Company's election to reduce the outstanding letters of credit by $384, which remains to be implemented.

10. 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 May 31, 2026:

		Remaining payments – for years ending August 31					
	Total	**2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**
Trade payables and accrued liabilities	**$ 340**	$ 340	$ -	$ -	$ -	$ -	$ -
Derivative liabilities	**2**	1	1	-	-	-	-
Long-term debt (including current portion) [(1), (2)]	**1,848**	-	223	-	-	300	1,325
Interest payments [(2)]	**1,028**	9	65	48	48	48	810
Capital commitments [(3)]	**230**	134	62	14	11	7	2
Lease liability	**51**	1	3	3	3	3	38
Related party loan [(4)]	**15**	15	-	-	-	-	-
	$ 3,514	$ 500	$ 354	$ 65	$ 62	$ 358	$ 2,175

(1) Payments represent principal of $1,848. 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 12 of the 2025 annual financial statements.

(3) The Company has commitments for the acquisition of property, plant and equipment and intangible assets amounting to $230 as at May 31, 2026 (August 31, 2025 - $238).

(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 Aireon's senior credit facility is paid in full and terminated or refinanced. Upon closing of the transaction as described in note 7, the subordinated loan commitment will be terminated.

11. Subsequent events

Subsequent to May 31, 2026, the Company completed the sale of its investment in preferred interests of Aireon on July 2, 2026. In connection with the closing, the Company received the initial tranche of the consideration, representing 50% of the total purchase price. The remaining tranche is payable on the first anniversary of closing and is expected to be received in the year ending August 31, 2027.

Further details of the transaction are provided in note 7.