

Quarterly Financial Report

MARINE ATLANTIC INC.

September 30, 2025

MARINE ATLANTIC INC.

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MARINE ATLANTIC INC.

Quarterly Financial Report

September 30, 2025

The following Quarterly Financial Report of the financial results of Marine Atlantic Inc. (“the Corporation”) is for the six months ended September 30, 2025. This report should be read in conjunction with the Corporation’s 2025/26 – 2029/30 Corporate Plan Summary and the Corporation’s 2024/2025 Annual Report which includes the audited annual financial statements for the year ended March 31, 2025. Information about the Corporation, including the Annual Report and the Corporate Plan Summary, can be found at www.marineatlantic.ca once approved by the Federal Government.

The unaudited financial statements and the accompanying notes have been prepared in accordance with Public Sector Accounting Standards and are reported in Canadian dollars.

OVERVIEW OF THE CORPORATION

Marine Atlantic is a federal Crown Corporation tasked with fulfilling the constitutional mandate of offering freight and passenger service between North Sydney, NS, and Port aux Basques, NL. This service is vital to connect the Province of Newfoundland and Labrador with mainland Canada.

Headquartered in St. John’s, NL, Marine Atlantic operates terminals in Port aux Basques, NL, Argentia, NL, and North Sydney, NS, and provides ferry services on two routes: a year-round 96 nautical mile daily ferry service between Port aux Basques and North Sydney and a seasonal 280 nautical mile ferry service between Argentia and North Sydney.

To fulfill its mandate, Marine Atlantic operates a fleet of four ice-class ferries: the MV *Blue Puttees*, MV *Highlanders*, MV *Ala’suinu* and the MV *Leif Ericson*. The Corporation reports annually to the Government of Canada through the Minister of Transport.

To ensure the safe operations of vessels at sea, Marine Atlantic Inc. is governed by various acts and regulations. These include: Canada Labour Code, Marine Occupational Safety and Health Regulations, Transportation of Dangerous Goods Act and Regulations, Marine Liability Act and Regulations, Canada Shipping Act, 2001, Canada Marine Act, Coastal Trade Act, Domestic Ferries Security Regulations (DFSR), and the Marine Transportation Security Regulations (MTSR) Part III. The Corporation also falls under the umbrella of the International Convention for the Safety of Life at Sea (SOLAS), the pre-eminent of all international treaties concerning the safety of merchant ships.

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QUARTERLY RESULTS

Financial Performance snapshot (in thousands)

Three months ending September 30, 2025							
	Actual	Budget	Prior Year	Variance to Budget ¹		Variance to Prior Year ¹	
				\$	%	\$	%
Revenue	\$ 46,462	\$ 40,332	\$ 48,856	6,130	15%	(2,394)	-5%
Expenses	\$ 80,254	\$ 81,500	\$ 84,514	1,246	2%	4,260	5%

Six months ending September 30, 2025							
	Actual	Budget	Prior Year	Variance to Budget ¹		Variance to Prior Year ¹	
				\$	%	\$	%
Revenue	\$ 79,912	\$ 71,774	\$ 79,001	8,138	11%	911	1%
Expenses	\$ 157,136	\$ 159,881	\$ 164,498	2,745	2%	7,362	4%

¹ Positive Variance indicates a favourable result compared to Budget/Prior Year

Statistics snapshot

Three months ending September 30, 2025							
	Actual	Forecast	Prior Year	Variance to Forecast ²		Variance to Prior Year ²	
				#	%	#	%
Passengers	199,024	188,442	190,413	10,582	6%	8,611	5%
Passenger Units	78,096	75,415	76,187	2,681	4%	1,909	3%
Commercial Units	27,580	24,601	26,709	2,979	12%	871	3%
Auto Equivalent Units ³	203,556	188,689	196,830	14,867	8%	6,726	3%
Trips	620	612	591	8	1%	29	5%

Six months ending September 30, 2025							
	Actual	Forecast	Prior Year	Variance to Forecast ²		Variance to Prior Year ²	
				#	%	#	%
Passengers	290,168	278,284	273,285	11,884	4%	16,883	6%
Passenger Units	114,278	111,495	108,976	2,783	2%	5,302	5%
Commercial Units	55,179	49,164	53,013	6,015	12%	2,166	4%
Auto Equivalent Units ³	358,955	331,961	342,724	26,994	8%	16,231	5%
Trips	1079	1064	1043	15	1%	36	3%

² Positive Variance indicates a favourable result compared to Forecast/Prior Year

³ Auto Equivalent Unit or AEU is the length of an average passenger automobile

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REVENUES

The Corporation's revenue was 15% higher for the quarter and 11% higher than the budget year to date. Traffic overall was higher than expected and onboard revenues per passenger exceeded targets. Realized gains on derivatives relating to the Corporation's hedging program were lower than anticipated.

When compared to prior year, the Corporation's revenue was 5% lower for the quarter and 1% higher year to date. While traffic overall was higher than the prior year, rate reductions took place on August 1, 2025, which impacted the total revenue. Realized gains on derivatives were lower compared to last year as hedging gains decreased.

EXPENSES

Compared to Budget

The Corporation's expenses were 2% lower than budget during the quarter and year to date. There were savings in operating expenses as maintenance and labour expenses were lower than budgeted. Fuel costs were slightly higher in the quarter but lower year to date as consumption was lower than planned while prices were on target.

Compared to Prior Year

The Corporation's expenses were 5% lower for the quarter and 4% lower year to date when compared to last year. Mechanical issues last year with the *Ala'suinu* delayed the start of the *Argentia* service. Passengers had to be re-routed to the gulf service and additional crossing were added to move the traffic resulting in increased costs. The Corporation also incurred costs relating to the integration of the *Ala'suinu* and the return of the *Vision* last year.

Tangible capital assets

The Corporation invested \$4.4 million in its capital assets during the second quarter as part of ongoing reinvestment in assets. This included \$2.8 million for vessel projects and \$1.6 million for shore facilities upgrades, information technology and equipment purchases.

Forecast

Based upon results of the first three months and the budget allocation for the remainder of the year, the Corporation is anticipating it will operate within its approved funding allocation. There have been no revisions to goals or objectives compared to the 2024/25 – 2028/29 Corporate Plan Summary.

RISK ANALYSIS

The financial risks of the Corporation have previously been disclosed in the Corporation's 2025/26 – 2029/30 Corporate Plan Summary and the Corporation's 2024/25 Annual Report. There are no significant changes to the risks previously identified.

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REPORTING ON USE OF APPROPRIATIONS

The Corporation received \$53.1 million in appropriations from the Government of Canada during the second quarter ended September 30th, 2025. Please refer to Note 2(a) to the unaudited interim financial statements for the Corporation's accounting policy for government appropriations. Note 5 to the unaudited interim financial statements reports on how the appropriations received were used during the period.

MARINE ATLANTIC INC.
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STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.



Murray Hupman, P. Eng.
President and CEO



Shawn Leamon, CPA, CGA
Vice President of Finance

St. John's, NL
November 18, 2025

MARINE ATLANTIC INC.
Unaudited Statement of Financial Position
As at September 30, 2025
(in thousands)

	Sept 30 2025	Mar 31 2025
Financial assets		
Cash (Note 4)	\$ 28,656	\$ 10,782
Accounts receivable	13,677	14,067
Receivable from Government of Canada (Note 5)	-	16,325
Inventories held for resale	494	435
Derivative financial instruments	1,258	2,053
Accrued pension asset	192,252	187,778
	<u>\$ 236,337</u>	<u>\$ 231,440</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 24,771	\$ 30,640
Derivative financial instruments	59	8
Deferred revenue	5,705	18,589
Payable to Government of Canada (Note 5)	18,037	-
Accrued vacation pay	7,559	8,651
Accrued pension liability	3,722	3,722
Accrued liability for non-pension post-retirement benefits	47,660	48,458
ARO Liabilities	28,500	28,500
Accrued liability for post-employment benefits	14,544	14,024
	<u>150,557</u>	<u>152,592</u>
Net financial assets	<u>\$ 85,780</u>	<u>\$ 78,848</u>
Non-financial assets		
Tangible capital assets	329,723	342,390
Inventories held for consumption	23,684	25,355
Prepaid expenses	14,668	15,752
	<u>368,075</u>	<u>383,497</u>
Accumulated surplus	<u>\$ 453,855</u>	<u>\$ 462,345</u>

Contingencies (Note 9)

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

MARINE ATLANTIC INC.

Unaudited Statement of Operations

Period ended September 30, 2025

(in thousands)

	For the 3 months ended		For the 6 months ended	
	2026	2025	2026	2025
Revenues				
Transportation income (Note 6)	\$ 45,768	\$ 48,228	\$ 79,158	\$ 77,638
Other income	112	205	192	377
Foreign currency exchange gain	115	55	270	55
Realized Gain on derivative financial instruments	467	368	292	931
	46,462	48,856	79,912	79,001
Expenditures				
Wages and benefits	32,971	35,476	65,316	67,978
Charter fees	6,109	6,436	12,237	13,868
Charter importation taxes	805	805	1,611	1,611
Fuel	15,320	15,517	25,369	27,376
Materials, supplies and services	10,911	13,564	20,221	25,167
Repairs and maintenance	2,471	1,441	5,186	4,159
Insurance, rent and utilities	2,066	1,508	3,899	3,688
Travel	135	366	540	1,267
Administrative Costs	397	1,002	972	1,606
Employee future benefits (Note 7)	(1,841)	(3,250)	(3,457)	(6,500)
Amortization	10,910	11,649	25,242	24,278
	80,254	84,514	157,136	164,498
(Deficit) before government funding	(33,792)	(35,658)	(77,224)	(85,497)
Government funding				
Operations	35,607	44,044	56,877	62,596
Capital	4,436	7,263	12,575	12,684
	40,043	51,307	69,452	75,280
Operating surplus (deficit)	6,251	15,649	(7,772)	(10,217)
Accumulated operating surplus, beginning of period	445,146	408,525	459,169	434,391
Accumulated operating surplus, end of period	\$ 451,397	\$ 424,174	\$ 451,397	\$ 424,174

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

MARINE ATLANTIC INC.**Unaudited Statement of Remeasurement Gains and Losses**

Period ended September 30, 2025

(in thousands)

	2026	2025	2026	2025
Accumulated remeasurement gains (losses), beginning of year	\$ 360	\$ 3,734	\$ 3,176	\$ 3,920
Remeasurement gains (losses) arising during the year				
Unrealized gain (loss) on foreign exchange of cash	67	76	128	51
Unrealized gain (loss) on derivatives	2,498	(3,569)	(554)	(3,166)
Reclassifications to the statement of operations				
Realized loss on derivatives	(467)	(367)	(292)	(931)
Net remeasurement gains (losses) for the year	2,098	(3,860)	(718)	(4,046)
Accumulated remeasurement gains (losses), end of the period	\$ 2,458	\$ (126)	\$ 2,458	\$ (126)

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

MARINE ATLANTIC INC.
Unaudited Statement of Change in Net Financial Assets
Period ended September 30, 2025
(in thousands)

	For the 3 months ended		For the 6 months ended	
	2026	2025	2026	2025
Operating surplus (deficit)	\$ 6,251	\$ 15,649	\$ (7,772)	\$ (10,217)
Change in tangible capital assets				
Acquisition of tangible capital assets	(4,436)	(7,263)	(12,575)	(12,684)
Amortization of tangible capital assets	10,910	11,649	25,242	24,278
Decrease in tangible capital assets	6,474	4,386	12,667	11,594
Change in other non-financial assets				
Net change in inventories held for consumption	4,969	1,018	1,671	7,300
Net change in prepaid expenses	1,308	2,622	1,084	(10,243)
Decrease (increase) in other non-financial assets	6,277	3,640	2,755	(2,943)
Net remeasurement gains (losses)	2,098	(3,860)	(718)	(4,046)
Decrease in net financial assets	21,100	19,815	6,932	(5,612)
Net financial assets, beginning of period	64,680	14,618	78,848	40,045
Net financial assets, end of period	\$ 85,780	\$ 34,433	\$ 85,780	\$ 34,433

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

MARINE ATLANTIC INC.
Unaudited Statement of Cash Flow

Period ended September 30, 2025

(in thousands)

	For the 3 Months Ended		For the 6 Months Ended	
	2026	2025	2026	2025
Operating transactions				
Cash receipts from customers	\$ 28,896	\$ 32,736	\$ 64,884	\$ 64,254
Other income received	112	205	192	377
Government funding - operations	48,664	48,736	81,616	90,626
Government funding - capital	4,436	7,263	22,198	26,002
Cash payments to suppliers	(32,432)	(41,250)	(66,042)	(77,772)
Cash payments to and on behalf of employees	(31,479)	(34,944)	(61,609)	(63,510)
Cash paid for employee future benefits	(771)	(867)	(1,296)	(1,307)
	17,426	11,879	39,943	38,670
Capital transactions				
Purchase of tangible capital assets	(4,436)	(7,263)	(22,198)	(26,002)
	(4,436)	(7,263)	(22,198)	(26,002)
Effect of exchange rate changes on cash	67	76	128	51
Net increase in cash	13,057	4,692	17,873	12,719
Cash, beginning of period	15,599	17,946	10,783	9,919
Cash, end of period	\$ 28,656	\$ 22,638	\$ 28,656	\$ 22,638
Cash consists of:				
Restricted cash			\$ 6,769	\$ 6,250
Unrestricted cash			21,887	16,388
			<u>\$ 28,656</u>	<u>\$ 22,638</u>

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

MARINE ATLANTIC INC.

Notes to the Unaudited Interim Financial Statements

September 30, 2025

(in thousands)

1. BASIS OF PRESENTATION

Marine Atlantic Inc. ("the Corporation") is incorporated under the *Canada Business Corporations Act*. The *Marine Atlantic Inc. Acquisition Authorization Act* of 1986 established the Corporation as a parent Crown Corporation. As a result of the *National Marine Policy (1995)*, the mandate of the Corporation was narrowed to the operation of a ferry system.

The Corporation operates a ferry service between Nova Scotia and Newfoundland and Labrador. Marine Atlantic Inc.'s business is seasonal in nature, with the highest activity in the summer (second quarter) and the lowest activity in the winter (fourth quarter), due to the high number of leisure travellers and their preference to travel during the summer months. The Corporation also takes advantage of the low activity during the winter months to perform a significant portion of the required annual maintenance on vessels and terminals.

These unaudited interim financial statements have been prepared by management in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. The basis of accounting used is Canadian public sector accounting standards. These interim financial statements do not include all of the disclosures provided in Marine Atlantic Inc.'s annual audited financial statements. The disclosures provided below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended March 31, 2025.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Government funding

The Corporation receives government funding to fund its current cash requirements, related to operating expenses in excess of generated revenues and to acquire tangible capital assets. The funding received is included in income for the period when funding has been authorized and all eligibility criteria have been met by the Corporation. Any difference between amounts provided and amounts authorized and eligible represents a receivable from (payable to) the Government of Canada. On occasion, the Corporation sells assets for which the net proceeds are required to be returned to the Consolidated Revenue Fund. On these occasions, the net proceeds are applied against the operating funding requirements in the period of disposition.

(b) Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to fair value at the end of each reporting period. Changes in fair value are recognized in the statement of remeasurement gains and losses until the derivative financial instrument is derecognized, at which point the accumulated remeasurement gain (loss) is reversed and reclassified to the statement of operations. Derivatives are derecognized at the expiry date of the derivative contract. Transaction costs are expensed as incurred.

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(in thousands)

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and significant judgment. Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

(c) Inventory

Inventories include fuel, valued at the lower of historical or replacement cost, and vessel spare parts, valued at historical cost.

(d) Tangible capital assets

Tangible capital assets are comprised of vessels, shore facilities and equipment which are carried at cost less accumulated amortization.

Vessels include corporate owned vessels and vessel projects, shore facilities include terminal buildings, stevedore buildings, docks and related infrastructure. Equipment includes computer hardware and software, furniture and vehicles.

Major spare parts are accounted for as tangible capital assets and are not amortized until they are put into use. For this purpose, major spare parts are those that are expected to be used for more than one fiscal period in connection with a tangible capital asset.

The cost of work in progress includes materials, direct labour and overhead. Amounts included in work in progress are transferred to the appropriate tangible capital asset classification when available and ready for use and are then amortized.

Amortization is calculated at rates sufficient to write off the cost, less any residual value, of tangible capital assets over their estimated useful lives on a straight-line basis. The cost, less any residual value, of capital vessel projects are amortized over the lesser of the useful life of the asset or the useful life of the vessel.

Estimated useful lives and amortization methods are reviewed at the end of each year. The rates for significant classes of tangible capital assets are as follows:

Vessel (includes vessel projects)	5% to 10%
Shore facilities	2.5% to 5%
Equipment	10% to 25%
Leasehold improvements	Shorter of term of lease agreement or the asset's useful life

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, the cost of the asset is written down to residual value, if any. Write-downs are not reversed.

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(in thousands)

(e) Employee future benefits

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets, as the benefits accrue to employees for expected retirement projections.

i) Accrued pension asset (liability)

The Corporation maintains, through a trustee, a registered defined benefit pension plan covering substantially all employees; and three supplementary unfunded retirement arrangements.

The registered pension plan is a defined benefit pension plan. The pension formula for current active members of the plan provides a pension for each year of allowable service up to a maximum of 35 years, equal to 1.6% of best or final average earnings up to the average maximum pensionable earnings under the Canada Pension Plan, plus 2% of best or final average earnings in excess of the average maximum pensionable earnings under the Canada Pension Plan. The plan provides for possible indexation adjustments for pension and survivor benefits payable during a calendar year following the third anniversary of the member's retirement or death, whichever occurs first. The indexation adjustment is calculated as the annual increase in the Consumer Price Index less 3%, subject to a maximum annual increase of 3%. No indexation adjustment is provided if the annual increase in the Consumer Price Index is below 3%.

The supplementary retirement arrangement adopted on June 2, 1994 and the supplementary retirement arrangement adopted on June 6, 1990 plan were terminated effective March 1, 2001 (thereafter referred to as the former supplementary retirement arrangements), with coverage for inactive members entitled to benefits prior to this date continuing.

In 2006 a new supplementary retirement arrangement was introduced for designated positions providing benefits for service since 2004. Eligibility under this supplementary arrangement was extended to benefits accrued for service since 2009 for all members of the registered defined benefit pension plan who are affected by the maximum pension payable by the registered plan. Benefits are generally based on employees' length of service and final or best average earnings for all benefits.

The cost of pensions is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, inflation and retirement ages of employees. The discount rate used to calculate the interest cost on the pension obligations is based on its expected return on plan assets for the registered pension plan.

The expected long-term rate of return on plan assets is based on estimated returns, consistent with market conditions applicable on the measurement date, for each major asset class and the target asset mix specified in the plan's investment policy. A market-related value of plan assets is used for purposes of the financial statements, and the expected return on plan assets is based thereon. The market-related value of plan assets is determined using a method which amortizes gains or losses relative to the expected return over five years. Actuarial gains or losses arise from the difference between the actual rate of return and the expected long-term rate of return on plan assets and from changes in the pension obligations due to changes in actuarial assumptions used or actual experience differing from that which is expected based on the assumptions.

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Actuarial gains and losses are amortized over the expected average remaining service life of active members expected to receive benefits. Actuarial gains and losses for the former supplementary retirement arrangements are recognized immediately on the determination of the gain or loss.

Adjustments for plan amendments, net of offsetting unamortized actuarial gain/losses, related to prior period employee services are recognized in the statement of operations in the period of the plan amendment.

The estimated average remaining service period of the members covered by the registered pension plan and the remaining supplementary retirement arrangement is 10.6 years (2024 – 10.5 years).

ii) Non-pension post retirement benefits

The Corporation provides life insurance and health and dental care benefits to current and retired employees. Union and non-union/management employees become eligible for basic and optional life insurance the first of the month following 60 days of continuous employment. Union employees become eligible for extended health and dental benefits the first of the month following the attainment of 1,040 hours of work, and non-union/management employees become eligible the first of the month following date of hire.

The cost of non-pension post-retirement benefits is actuarially determined using the projected benefit method prorated on service and management's best estimate of future participation rates in the retiree health and dental plan, average health care cost per plan member, health care trend rates and utilization, salary escalation and mortality rates. A proxy for the cost of borrowing has been used to calculate the discount rate for the obligation and the interest cost. The costs for current employees are expensed as they are incurred. The costs projected to be incurred during retirement are accrued and expensed evenly over the expected remaining service life of the employee.

Adjustments arising from actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

Adjustments for plan amendments, net of offsetting unamortized actuarial gain and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

The estimated average remaining service period of members covered by non-pension post-retirement benefits is 11.5 years (2024 – 11.5 years).

iii) Post employment benefits

For certain employees and former employees, the Corporation is a self-insured employer and is accountable for workers' compensation liabilities incurred. The Corporation's accrued obligation for workers' compensation benefits represents the unfunded liability for the costs of self-insured benefits specified and administered by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador, the Workplace Health, Safety and Compensation Commission of New Brunswick and the Workers Compensation Board of Prince Edward Island for work-related injuries of current and former employees.

The cost of workers' compensation liabilities is actuarially determined using the net present value of liabilities for work-related injuries of current and former employees when awards are

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(in thousands)

approved by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador; Workplace Health, Safety and Compensation Commission of New Brunswick; or Workers Compensation Commission of Prince Edward Island; or legislative amendments are made and the anticipated future costs can be reasonably calculated. Management recognizes changes in the net present value of the liability, based on updated actuarial estimates of future costs, as a result of actual experience and changes in actuarial assumptions. A proxy for the cost of borrowing is used to calculate the discount rate for the obligation and the interest cost.

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 7.0 years (2024– 9.0 years).

(f) Revenue recognition

Transportation revenue is derived primarily from fares charged to users of the ferry services, which include passenger and commercial vehicle fares, passenger fees and fuel surcharge and are recognized at the point in time when the ferry services are provided. Transportation revenue is measured as the amount of consideration the Corporation expects to receive in exchange for ferry services provided. Revenue from fares represents a single performance obligation to which the entire transaction price is allocated. A fuel surcharge, calculated as a percentage of transportation revenue, is recognized and measured on the same basis as transportation revenue.

Payment of fares in advance when booking a reservation is recorded as deferred revenue and are recognized as revenue when the ferry services are provided.

Other transportation revenue is made up of vehicle service fees such as storage fees, freight, security fees, and wharfage and demurrage. Onboard sales revenue is primarily related to passenger services such as accommodations, restaurant and gift shop sales. These revenues are recognized at the point in time the goods or services are provided to the customer. This revenue is measured as the amount of consideration the Corporation expects to receive in exchange for services and goods provided.

Other income, such as interest income and income from derivatives are recognized when they are earned.

(g) Expenses

Expenses are reported on an accrual basis. Expenses for the operations of the Corporation are recorded when goods or services are received.

Expenses include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debt and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

(h) Prepaid expenses

Prepaid expenses are disbursements made before the completion of the work, delivery of the goods or rendering of services or advance payments under the terms of lease agreements.

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September 30, 2025

(in thousands)

(i) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the financial statement date. Revenues and expenses are translated using exchange rates in effect at the date of the transaction. Commitments and contingencies denominated in foreign currencies are translated at exchange rates in effect at the financial statement date. An exchange gain or loss that arises prior to settlement is recognized in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses and an exchange gain or loss measured in relation to the exchange rate at the date of initial recognition is recognized in the statement of operations.

(j) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(k) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Corporation to incur retirement costs, a past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. The discount rate used reflects the Government of Canada's cost of borrowing, associated with the estimated number of years to complete the retirement or remediation.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset and amortized over the asset's estimated useful life. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed.

At each financial reporting date, the carrying amount of the liability is reviewed. The Corporation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Once the related tangible capital asset is no longer in productive use, changes to the liability are recognized as an expense in the period they are incurred. The Corporation continues to recognize the liability until it is settled or otherwise

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(in thousands)

extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(I) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, revenues and expenses in the financial statements and accompanying notes, at the date of the financial statements. Items requiring the use of significant estimates include asset retirement obligations, the accrued pension asset, expected useful lives of tangible capital assets and litigation. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

3. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

The Public Sector Accounting Board has approved the following account standards and conceptual framework, which are effective for fiscal years beginning April 1, 2026:

The Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standards. It replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

PS 1202: Financial Statement Presentation

This standard sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework. This standard revises and replaces PS 1201 Financial Statement Presentation.

The Corporation has not yet adopted the standard or framework and is currently assessing the impact of these new items on the financial statements.

4. CASH

Cash includes restricted cash consisting of cash denominated in Euros held in an escrow account with a German bank as security for the charter of the passenger and freight ferry – the MV *Atlantic Vision*. Restricted cash is €1,145 (2024 – €1,146), which translates to \$6,769 Canadian dollars at September 30, 2025 (March 31, 2025 – \$6,441).

The charter period expired in May 2024. Negotiations related to the return of funds to the Corporation are ongoing.

5. (PAYABLE TO) RECEIVABLE FROM GOVERNMENT OF CANADA

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the statement of operations in one year may be funded by the

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Government of Canada in different years. Accordingly, the Corporation has a different surplus (deficit) for the year on a government funding basis than on a generally accepted accounting principles basis.

	September 30, 2025 (6 months)	Mar 31, 2025 (12 months)
Net receivable, beginning of period	\$ 16,325	\$ 29,329
Parliamentary appropriations received during the period	103,814	207,114
Recognized during the period:		
Operations	(56,877)	(147,349)
Tangible Capital Assets	(12,575)	(46,761)
Government funding surplus	34,362	13,004
Net (payable) receivable, end of period	\$ (18,037)	\$ 16,325

6. TRANSPORTATION REVENUE

The following table provides the Corporation's transportation revenue by major source and type:

	September 30 2025	September 30 2024
Commercial vehicle	\$ 26,611	\$ 25,700
Onboard sales	15,904	12,838
Passenger vehicle	11,942	13,885
Other transportation	9,616	9,153
Passenger	8,857	9,594
Fuel surcharge	6,228	6,468
Total transportation revenue	\$ 79,158	\$ 77,638

7. EMPLOYEE FUTURE BENEFITS

During the three months ended September 30, 2025, the net employee future benefit recovery was \$ (3,457) (September 30, 2024 \$ (3,250)). The Corporation is in a recovery position as it ceased contributions to the registered pension plan as the plan was in an overfunded position. The recovery amount includes costs for the Corporation's defined benefit pension plan, life insurance and health and dental care benefits to retirees and Workers' Compensation.

8. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these

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entities in the normal course of business under the same terms and conditions that apply to unrelated parties. During the period, the Corporation incurred expenses of \$672 (2024 – \$316) with other federal Crown corporations, departments and agencies. In addition to these transactions, the Government of Canada provides funding to the Corporation as described in notes 2(a) and 5. The Corporation is given the right to use the crown land on which the terminals sit free of charge by Transport Canada. No amount was recorded since the fair value of the service received for free is not reliably measurable.

9. CONTINGENCIES

Legal contingencies have been amended to account for amounts that have been settled and new claims that have occurred.

10. COMPARATIVE INFORMATION

Comparative figures for certain line items have been reclassified in the statement of operations to conform to the current year's presentation and to better reflect the nature of the expenses.