

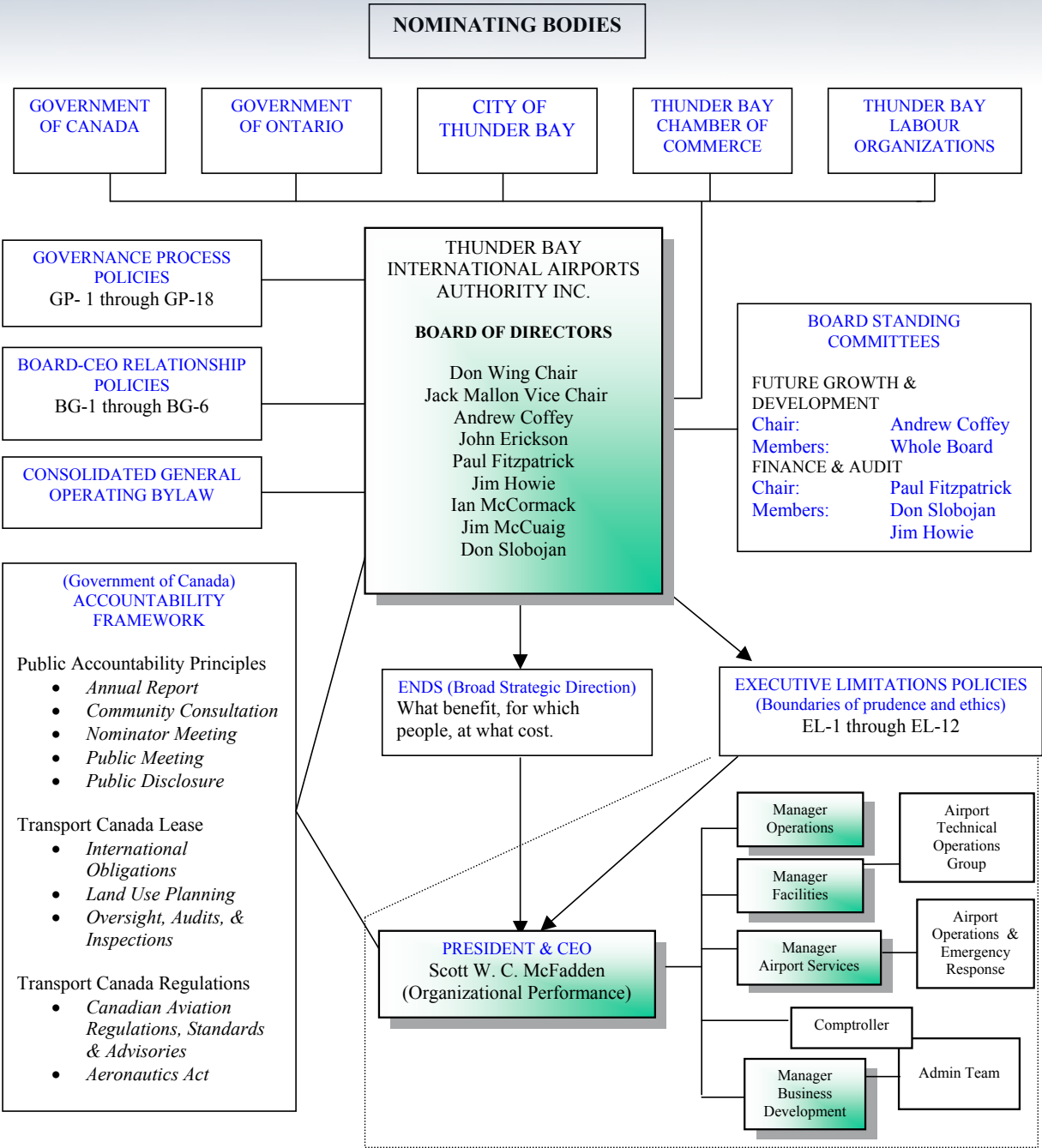
ANNUAL REPORT 2009



THUNDER BAY
International Airports Authority Inc.



CORPORATE GOVERNANCE AND ACCOUNTABILITY FRAMEWORK





Even at -30°C, our staff is a true team with great spirits!



Message from the Chair

The Board of the Thunder Bay International Airports Authority is pleased to present the Annual Report for the year 2009. We are pleased to report that in the face of major challenges in the global and national economies, 2009 has been a successful year for the Authority both from development and financial perspectives. The Airport continues to provide safe air and related services while contributing to the economic development of the Northwest.

During 2009 the Board worked to champion many challenges and, in particular, there were four areas of focus including:

1. Enhancing working relationships
2. Completing an air safety external audit
3. Major development of the Airport infrastructure
4. Clarification of the goals of the Airports Authority and its subsidiary businesses.

Our Board believes that linkages with our community and our many stakeholders are integral to the Authority's success. In 2009, we worked to enhance internal relationships and as we look to 2010, we will work to further build meaningful engagement with our many external stakeholders.

The Board also believes that periodically it is useful to benchmark using external perspectives and knowledge. We acknowledge that air safety is our most critical deliverable and have set "Superior standards of safety and customer service" as our desired outcome. Congruent with this outcome, we launched an air safety external audit in 2009. Results of that review showed that not only does Thunder Bay Airport meet the federal air safety requirements but we are performing well ahead of these requirements and setting the bar in many areas. Our commitment to the long term was evidenced this year by the successful investment in and completion of the major runway extension. The Board recognized that this local investment was necessary to maximize the economies of the region. The Board also recognizes that the under budget success and the ability to expand the scope of the project was achieved in large part because of the CEO's planning excellence.

In the Authority's quest for efficient, effective air service operations and investment in the Northwest, we have established small operations to facilitate this success. This year the Board reviewed the key goals and desired outcomes for both the Airports Authority itself and these small supporting operations. Our desired outcomes are presented in this report under the heading TBIAA Mega and High Level Ends. The Board is committed to continue to actively work to build on these desired results.

Finally we would like to extend our collective thanks to our Airport team, our CEO, and the employees, contractors and businesses that keep the Thunder Bay International Airports Authority operating smoothly and efficiently 365 days a year. We would also like to thank all our customers, clients and the companies who have invested in doing business at and with the Airport in 2009.

Respectfully submitted,

Don Wing, Chair
April 22th, 2010



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TBIAA Board of Directors 2009



Jack Mallon
(Vice Chair)



Don Wing
(Chair)



John Erickson



Paul Fitzpatrick



Andy Coffey



Jim Howie



Jim McCuaig



Ian
McCormack



Don Slobojan

The Thunder Bay International Airports Authority Inc. (Authority) is a not-for-profit corporation incorporated under the Canada Corporation Act. Members of the Board of Directors are community leaders nominated by government and non-government organizations. Each member brings to the Authority a wealth of knowledge and experience.

The Board has overall responsibility for the management of the affairs of the TBIAA. The Board has established an administrative procedure outlined in the Authority's General Operating By-Law and Letters Patent.

The Board take great pride in the TBIAA's achievements in 2009 which include a significant investment in the economic well-being of the region in the form of the extension to the main runway. The positive economic impact of the runway extension is calculated to be \$11.4million per year.

The Board recognizes the importance of the Thunder Bay International Airport to the region and will continue to work with Community groups in pursuit of the TBIAA's development objectives and economic development in the region.

Board Membership

There were no changes to Board membership in 2009. Mr. Don Wing and Mr. Jack Mallon continued as Chair and Vice Chair respectively.

Board membership as of December 31st, 2009:

Director	Nominated by	Term Expiry
Ian McCormack	City of Thunder Bay	November 30, 2010
Andrew Coffey	Federal Government (Transport Canada)	January 10, 2011
Paul Fitzpatrick	Province of Ontario (Ministry of Transportation)	October 1, 2010
Jim Howie	Thunder Bay Labour (IBEW)	October 1, 2010
John Erickson	Federal Government (Transport Canada)	October 1, 2012
Jack Mallon (Vice Chair)	Thunder Bay Chamber of Commerce	October 1, 2012
Jim McCuaig	City of Thunder Bay	November 30, 2012
Don Slobojan	Thunder Bay Chamber of Commerce	October 1, 2012
Don Wing (Chair)	Thunder Bay International Airports Authority Inc.	October 1, 2012



Annual Report

Thunder Bay International Airports Authority Inc.

(Incorporated under the laws of Canada)

Pursuant to Article 17 of the By-laws of the Thunder Bay International Airports Authority Inc. (TBIAA), the following is the Annual Report with respect to the activities of the TBIAA for the year ended December 31, 2009.

On September 1, 1997 the TBIAA signed an agreement with Transport Canada, to transfer the Thunder Bay International Airport under a long-term lease. Since then, the TBIAA has been responsible for the management, operations, and funding of the Thunder Bay International Airport.

The remuneration provided to each director for the period Jan 1, 2009 to Dec 31, 2009 was as follows:

Mr. Andrew Coffey	\$15,666.63
Mr. Paul Fitzpatrick	\$13,466.63
Mr. Don Slobojan	\$15,866.63
Mr. Jack Mallon	\$15,866.63
Mr. Don Wing	\$20,366.63
Mr. John Erickson	\$12,516.63
Mr. Jim McCuaig	\$14,666.63
Mr. Ian McCormack	\$13,966.63
Mr. Jim Howie	\$13,716.63

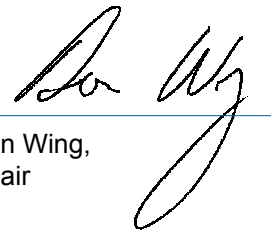
During 2009, the Directors complied with the Conflict of Interest Principles and Code of Conduct requirements as contained in Section 6.12 of the TBIAA's By-law.

The 2009 salary for the Chief Executive Officer of the corporation was \$170,000.

The TBIAA did not enter into any contracts during the fiscal year ended December 31, 2009, which were for goods, services, or consideration, that were not awarded pursuant to the public tender process as described in Section 17.3 of the By-law, and did not enter into any non-arm's length contracts.

The TBIAA's Financial Statements and the Auditor's Report for the period January 01, 2009 through to December 31, 2009 are included.

DATED this 26th Day of March 2010.



Don Wing,
Chair



Paul Fitzpatrick,
Chair, Finance & Audit Committee

TBIAA Mega and High Level Ends

(Ends Policy E-1)

Thunder Bay International Airports Authority Inc. exists so there will be air related transportation for Thunder Bay and the surrounding region. Secondary to this, the Airport also exists as a major contributor to regional economic growth.

Specifically, this includes:

1. Sustainable air services for Thunder Bay ensuring essential transportation needs are met.
2. Superior standards of safety and customer service at Airports operated by the Authority.
3. Retention, development, and expansion of air services.
4. Economic development of the region.
 - 4.1 Thunder Bay becomes a centre for aerospace related activities including aviation manufacturing, maintenance, and training facilities.
 - 4.2 The Airport Authority becomes a stimulus for the development of small to medium size businesses reasonably using TBIAA assets to support this economic development.

At What Cost

“As the governing body, the Board recognizes that through this Ends Policy it is committing the use of resources to achieve the desired Ends (outcomes).

In support of achieving the desired Ends in a cost effective manner, the Board will identify the relative priorities within the Ends Policies, at a Board meeting by the end of June each year. These priorities will become assumptions in building the annual budget for the next year. The Ends of TBIAA shall be achieved on an annual and long term basis as planned for in the CEO Ends Interpretation and related business plan, and annual operating and capital budgets.

All Ends should be achieved at a reasonable cost and a reasonable fee for customers. The Board will review on an annual basis the overall envelope of resources to ensure sufficient resources exist to reasonably achieve the desired prioritized Ends.

Fees to customers should, in a defined and reasonable time frame, be set to:

1. Provide a sustainable balanced budget which meets net profit goals.
2. Provide an allocated reserve equal to or slightly greater than the amount designated in Board Policy.
3. Not cause undue hardship to customers resulting from sudden and major fee increases.”

The Authority

As a not-for-profit, non-government private corporation, the Thunder Bay International Airports Authority is focused on the safe and efficient operation of the Thunder Bay International Airport. The Board recognizes the Airport as a key contributor and catalyst for economic growth for the region. In 2009 the Board demonstrated its commitment to the regional economy by completing significant capital works at the Airport including the extension of the main runway.



The Authority has successfully operated with annual surpluses since 1997, generating net assets in excess of \$23million. The 2009 capital program was funded by a combination of operating cash and debt. No Public funding was received. The Airport remains the lowest priced in Canada, and the only Airport with no Airport improvement/passenger fee.

The Board retained expertise in April 2009 to quantify the economic impact of the Thunder Bay International Airport. This analysis concluded that the Airport is responsible for close to half a billion dollars in value added GDP in the Community, supporting some 4500 direct and indirect jobs with 1140 located at the Airport. The report concluded:

“The Airport has evolved into an indispensable, if not critical, piece of transportation infrastructure for Thunder Bay – a lifeline linking the City and its Northwest Ontario catchment area to centres of national and international commerce.”

The report was based on 2008 economic data. With the continued growth at the Airport and the introduction of Porter Airlines in Spring 2009, the Thunder Bay International Airport has surely pushed well past \$.5billion in value added GDP.

As a result of growing concerns around the frequency of load restricted flights, the Board also asked the experts to determine the extent to which air carrier load restrictions

were impacting the local economy. A report entitled “The Economic Impact of Weight-restricted Flights On The Thunder Bay International Airport” analyzed data provided by both WestJet and Air Canada and determined that over 7500 passengers were affected by load-restricted flights in 2008 resulting in a potential loss in GDP of just under \$11.4million.

The report confirmed the intuition and other supporting data that the Airport’s relatively short 6200’ main runway had become inadequate in the 2008-09 air transportation operating environment and assisted the Board in it’s decision to proceed with the extension of the runway without delay.

Report on Operations

In 2009 TBIAA continued to pursue the Board’s Ends via the strategic milestones articulated in Management’s Ends Interpretation and 2009 Business Plan. A 2010 Business Plan and updated Ends Interpretation were drafted in the fall and the 2010 budget approved.

The 2010 Business Plan contemplates a business environment in which the Mining and Health Sciences sectors continue to be the significant drivers of economic growth for Thunder Bay. This is consistent with the experience in 2009. In addition the local Bombardier rail car manufacturing plant has won some very significant contracts both within Canada and internationally.

The TBIAA's focus remains on the safe, secure and efficient operation of the Thunder Bay International Airport, and leveraging the Airport and the Authority's expertise to create economic development opportunities for the region. Over and above the runway extension, the Authority invested in over \$1 million in specialized surface maintenance equipment in 2010.

Despite a dramatic drop in passenger volumes at the beginning of the year, Thunder Bay Airport posted year over year passenger growth of 1.2% in 2009. This is in contrast to most North American Airports that experienced (in some cases significant) declines in activity due to the global economic situation.

The significant news with regard to passenger service was the introduction of Porter Airlines in the late Spring. In addition to the new destination of Toronto City Centre Airport, the resulting capacity expansion brought with it lower airfares for the Community, a significant economic benefit.

Financial Results

Revenue grew by 3.3% while total operating expenses increased by 4.5%. Cost increases in most areas reflect growth in business activities, hiring and training of new employees, and non-capital costs associated

with 2009 significant capital program. The Authority considers the costs associated with organizational rebuilding a necessary investment in the future.

The TBIAA had net earnings from operations of \$837,197 in 2009 and generated approximately \$4.9 million in cash which was used to pay down debt, make special payments to the defined benefit pension plan, purchase equipment as part of the Authority's fleet renewal program, and fund portions of the Airport's capital program.

The recovery in the stock markets combined with deferred revenues resulted in a total excess of revenue over expenses of just under \$3million.

Revenue from Business Initiatives was up over 2008 with over 12% of revenues derived from subsidiary activities and other economic development initiatives.

Consolidated total net assets grew to \$23.3million or 14.6% by the end of 2009. For further details please refer to the financial statements and notes included in this report.

Activities

The Runway extension project also included the replacement of all runway and Taxiway Alpha lighting with halogen and LED technology respectively to provide energy efficiencies and reduce the Airport's environmental footprint.

Other significant capital works were completed in 2009 including expansion to the long-term and short-term parking lots and relocation of the parking lot entrances. It was a significant feat to get all of this substantially completed in time for the busy Christmas Holiday travel period.

In addition to the very tangible investment in the community of the runway project, the TBIAA continues to be involved in the Community in many ways. From Sponsorship of the successful Cavendish Cup, to winning awards for employee/ employer fund-raising in the 2009 United



A spectacular welcome for Porter Airlines

Way Campaign. The TBIAA was also a proud sponsor of Thunder Bay's own Jason Myslicki in his bid for the 2010 Winter Olympics Combined Nordic event, and sponsor of the National Ski Team Development Centre here in Thunder Bay.

TBIAA directors and employees are involved in other Community organizations including the Community Economic Development Commission, Northwestern Ontario Innovations Centre, Thunder Bay Chamber of Commerce, Ambassadors Northwest, TBayTel and others.

Economic Development

TBIAA's subsidiary Thunder Bay Airport Services Inc. was successful in its bid to provide third party billing and receivables services for the Canadian Coast Guard. The contract is for three years with an option for two additional years.

Sleeping Giant Enterprises was also successful in selling two JetBrooms to a new client in Kazakhstan. The units were prepared in, and shipped from Thunder Bay, creating opportunities for local businesses.

The TBIAA's first subsidiary Company iFIDS. com continues to be successful breaking into the US market with sales of its innovative and unique flight information display solutions to several Airports including Saint Cloud MN,

Eagle County CO, Toledo Express OH, and Grand Forks ND. The Government of the Northwest Territories was also added to the list of clients using "Aileron" the company's automated Airport billing solution.

The Authority also completed design work for a multi-client aviation complex expected to accommodate the expansion of other Thunder Bay-based aviation companies beginning in 2010.

The Authority continues to pursue opportunities to expand both aviation and non-aviation business at the Airport and to this end was successful in securing a zoning amendment that removed some of the development restrictions on Airport lands identified for commercial development.

Safety Management

The TBIAA Board has articulated and confirmed its long established high level End: "Superior standards of safety and customer service at Airports operated by the Authority." To achieve the safety component of this End, over the past 5 years management has transformed the Airport operation consistent with a continuous improvement philosophy and a risk management approach to safety.

Recently the Authority retained independent aviation industry expertise to confirm that the Board's safety End has been achieved. The following is an excerpt from the final report:

*"....it is appropriate that the CEO has purposely adopted a proactive, systems approach to manage safety at TBIAA – an approach that exceeds current industry standards and best practices. For example, he has restructured traditional Airport departments into a single AOS function, and staffed several key management positions with persons possessing a blend of traditional and non-traditional skills. He openly states that mere compliance with regulations and standards is not a sufficient indicator of safe performance. The approach to managing safety at TBIAA is superior to industry standards and best practices."*¹

The Airport Operations Specialist team and all other members of the TBIAA team that participated in this "transformation" can be justifiably proud of their achievements. Thunder Bay International Airport is a safer, more efficient Airport as a result of their efforts.

1 SMS Aviation Safety Inc., March 2010

Thanks to our customers

The Thunder Bay International Airports Authority extends thanks and appreciation to all Airport customers including passengers/meeters & greeters, air operators, customers of iFIDS.com Inc., SGE Ltd and Thunder Bay Airport Services Inc..

The Board of Directors is proud of the benefits the Airport brings to Thunder Bay and the region and intends to continue to pursue economic development opportunities.

Thanks to our employees

The consistent achievement of our safety and economic objectives would not be possible without the commitment of our employees. Their service to the community on a day-to-day basis is commended and appreciated by the Board of Directors.

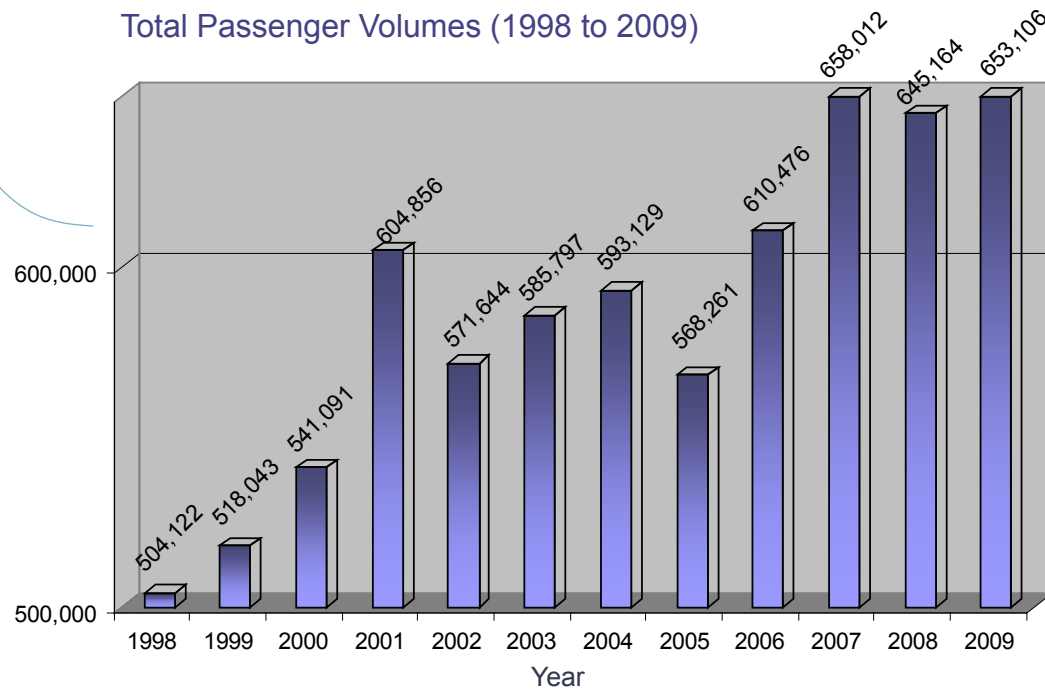


Two of our own...carrying the flame!

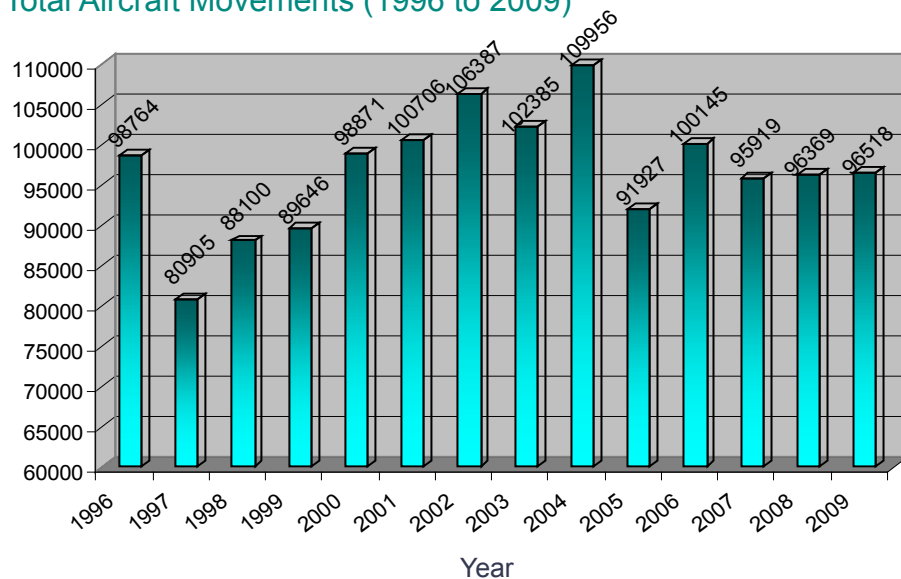
Passenger Volumes

Passenger volumes increased by 1.2% in 2009 over 2008 volumes. Traffic began to dramatically increase in July, following the introduction of Porter Airlines service to Toronto's City Centre Airport. Traffic grew by 5% over the last half of the year.

Total Passenger Volumes (1998 to 2009)



Total Aircraft Movements (1996 to 2009)



Aircraft Movements

Aircraft activity marginally increased in 2009. Exceeding 2008 volumes was in part due to growth in scheduled passenger service and growth in other commercial activity associated with mining exploration.



Consolidated Financial Statements

Thunder Bay International Airports Authority Inc.

December 31, 2009

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Grant Thornton LLP
 979 Alloy Drive
 Thunder Bay, ON
 P7B5Z8
 T (807) 345-6571
 (800) 446-4794 (Toll Free)
 F (807) 345-0032
 E ThunderBay@GrantThornton.ca
 www.GrantThornton.ca

Auditors' Report

To the Directors of

Thunder Bay International Airports Authority Inc.

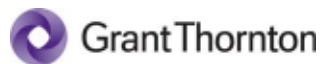
We have audited the consolidated balance sheet of Thunder Bay International Airports Authority Inc. as at December 31, 2009 and the consolidated statements of earnings, net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thunder Bay, Canada
March 1, 2010

Chartered Accountants
Licensed Public Accountants



Thunder Bay International Airports Authority Inc. Consolidated Statement of Earnings

Year ended December 31	2009	2008
	\$	\$
REVENUE [schedule]	8,386,333	8,117,941
EXPENSES		
Direct		
Advertising and promotion	99,360	82,506
Benefits	408,494	377,896
Contracted maintenance	387,600	291,645
Contracted services	435,163	426,942
Equipment rentals	30,832	3,958
Federal rent	43,368	6,824
Interest on long-term debt	9,262	106,738
Materials and supplies	588,200	658,082
Office and administration	71,786	59,168
Professional and consulting fees	249,334	236,208
Purchased repairs	196,550	183,878
Salaries	2,255,193	2,027,411
Telephone	33,240	34,263
Training and meetings	79,017	50,786
Travel	40,457	69,079
Utilities	386,305	404,725
	5,314,161	5,020,109
Indirect		
Amortization	1,526,603	1,491,442
Bad debts (recovered)	(6,462)	3,945
Directors' fees	146,950	129,251
Payment in lieu of property taxes	338,044	321,948
Insurance	157,061	169,131
Interest and bank charges	31,595	27,159
Interest on long-term debt	41,184	58,947
	2,234,975	2,201,823
Total expenses	7,549,136	7,221,932
Earnings before the following	837,197	896,009
Realized earnings (loss) on investments	169,418	(105,028)
Fair market value adjustment	1,223,987	(1,699,569)
Amortization of deferred capital contributions	703,973	703,973
Gain on sale of equipment	24,597	-
Income (loss) of IFIDS.COM INC.	4,295	(35,233)
Excess (shortfall) of revenue over expenses	2,963,467	(239,848)

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc. Consolidated Balance Sheet

As at December 31	2009	2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	1,322,187	1,573,378
Accounts receivable	948,067	714,196
Inventory, at cost	95,886	85,387
Prepaid expenses and deposits	209,639	124,402
Current portion of net investment in direct financing leases [note 3]	190,000	1,351,000
Total current assets	2,765,779	3,848,363
Property and equipment, net [note 4]	17,863,898	13,808,663
Other		
Investments	14,276,209	12,902,560
Net investment in direct financing leases [note 3]	475,000	-
Accrued benefit asset [note 12]	512,000	411,000
Total other assets	15,263,209	13,313,560
	35,892,886	30,970,586
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	4,486,337	654,623
Due to the Municipality of Red Lake	103,393	112,149
Current portion of long-term debt [note 7[a]]	692,000	1,931,000
Deferred revenues and customer deposits	140,858	1,205,400
Investment in IFIDS.COM INC. [note 5]	8,908	13,203
Total current liabilities	5,431,496	3,916,375
Non-current		
Security deposits	24,130	24,130
Long-term debt [note 7[a]]	3,250,701	2,201,180
Deferred capital contributions	3,438,647	4,067,620
Retirement allowance liability [note 8]	454,734	431,570
Total non-current liabilities	7,168,212	6,724,500
Net assets		
Investment in property and equipment [note 9[a]]	11,215,550	7,087,863
Unrestricted	12,077,628	13,241,848
Total net assets	23,293,178	20,329,711
	35,892,886	30,970,586

See accompanying notes to the consolidated financial statements.

On behalf of the Board:


Director


Director

Thunder Bay International Airports Authority Inc. Consolidated Statement of Net Assets

Year ended December 31	2009		2008	
	Investment in property and equipment \$ [note 9]	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year	7,087,863	13,241,848	20,329,711	20,569,559
Excess (shortfall) of revenue over expenses	(810,554)	3,774,021	2,963,467	(239,848)
Net change in investment in property and equipment	4,938,241	(4,938,241)	-	-
Net assets, end of year	11,215,550	12,077,628	23,293,178	20,329,711

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc. Consolidated Statement of Cash Flows

Year ended December 31	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Excess (shortfall) of revenue over expenses	2,963,467	(239,848)
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	1,526,603	1,491,442
Amortization of deferred capital contributions	(703,973)	(703,973)
Increase in accrued benefit asset	(101,000)	(350,000)
Increase in retirement allowance liability	23,164	31,550
Interest added to long-term debt	12,521	12,007
Fair market value adjustment	(1,223,987)	1,699,569
Gain on sale of equipment	(24,597)	-
(Income) loss of IFIDS.COM INC.	(4,295)	35,233
	2,467,903	1,975,980
Net change in non-cash working capital balances related to operations [note 10[a]]	2,428,809	2,088,633
Cash provided by operating activities	4,896,712	4,064,613
INVESTMENT ACTIVITIES		
Purchase of property and equipment [note 10[b]]	(4,990,008)	(1,628,966)
Purchase of investments, net	(149,662)	(374,402)
Proceeds on sale of equipment	504,767	-
Cash used in investment activities	(4,634,903)	(2,003,368)
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,199,000)	(1,601,000)
Repayment of direct financing lease	686,000	193,000
Cash used in financing activities	(513,000)	(1,408,000)
Decrease (increase) in cash and cash equivalents during year	(251,191)	653,245
Cash and cash equivalents, beginning of year	1,573,378	920,133
Cash and cash equivalents, end of year	1,322,187	1,573,378

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc. Notes to the Consolidated Financial Statements

December 31, 2009

GENERAL

The Authority was incorporated without share capital on August 3, 1995, under the laws of Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles. The more significant of these accounting policies are summarized below.

Basis of consolidation

The accompanying financial statements are prepared on a consolidated basis to include the accounts of the Authority and its subsidiaries, Thunder Bay Airport Services Inc., Sleeping Giant Enterprises Ltd. and Superior Aerospace Services Ltd. which are wholly-owned. IFIDS.COM INC. which is 50% owned has been accounted for using the equity basis.

Investments in which the Authority has the ability to exercise significant influence but does not have control are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to reflect the Authority's share of income or loss. When there is a loss in the value that is other than a temporary decline, the investment is written-down to recognize the loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and cash held in money market instruments with maturity dates of less than three months from the date they are acquired.

Investments

Marketable securities are classified as held-for-trading and recorded at fair market value.

Inventory and equipment held for sale

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Thunder Bay International Airports Authority Inc. Notes to the Consolidated Financial Statements

December 31, 2009

Property and equipment

Property and equipment are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred.

Amortization is provided on the basis and at the rates below. It is expected these procedures will charge earnings with the cost of the property and equipment over their estimated useful lives. Gain or loss on disposal of individual assets is recognized in earnings in the year of disposal.

Airside equipment	1/15 straight-line - salvage value 10%
Computer hardware	1/3 straight-line
Computer software	1/3 straight-line
Land transfer tax	1/60 straight-line
Land development costs	1/30 straight-line
Leasehold improvements	1/5 straight-line
Office furniture and equipment	1/5 straight-line
Runway upgrades	1/15 straight-line
Security upgrades	1/5 straight-line
Vehicles and equipment	1/5 straight-line - salvage value 10%

Property and equipment acquired during the year, but not placed into use, are not amortized in the year of acquisition.

Deferred charges

Deferred charges related to land transfer tax are being amortized against earnings on a straight-line basis over 60 years. Deferred charges related to start-up costs associated with the Canadian Coast Guard Contract are being amortized against earnings on a straight-line basis over 3 years.

Net investment in direct financing leases

Assets leased under terms which transfer substantially all the benefits and risks of ownership to customers are accounted for as direct financing leases. Income is recognized over the terms of the applicable leases in a manner that produces a constant rate of return on the lease investment.

Revenue recognition

The Authority follows the deferral method of accounting for contributions, which includes government grants. Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Sales and services revenue is recognized at point of sale or when the service has been provided and collectability is reasonably assured. Annual license fees and product support are recognized over the period of service. Lease revenue is recognized in the period in which it was earned.

Foreign currency translation

Foreign currency transactions entered into directly by the Authority are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates. Other balance sheet items are translated at historical exchange rates. Revenue and expense items are translated at average rates of exchange prevailing during the year. Any resulting exchange gains and losses are included in the consolidated statement of earnings in the current year. At year-end, monetary assets and liabilities denominated in U.S. dollars are translated using the exchange rate of U.S. \$1 = Cdn \$1.0510. Monetary assets and liabilities denominated in Swiss Francs are translated using the exchange rate of 1 Swiss Franc = Canadian \$1.0107. Monetary assets and liabilities denominated in Euros are translated using the exchange rate of €1 = Cdn. \$1.5000.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported value of assets and liabilities and the disclosure of contingent assets and liabilities. The reported amounts and note disclosure are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. However, actual results may differ from the estimates used in the financial statements.

Financial instruments

The Authority has classified cash and cash equivalents as held-for-trading, receivables as loans and receivables, investments as held-for-trading, and accounts payable and accrued liabilities, deferred revenues and customer deposits, security deposits, and long-term debt as other financial liabilities.

2. ACCOUNTING CHANGES

During the year, the Authority adopted Section 1535, "Capital Disclosures", which specifies the disclosure of whether the entity has complied with any external capital requirements and if it has not complied, the consequences of such non-compliance. The effect of these changes was an increase in disclosures in note 13.

CICA Handbook Section 4400, "Financial Statement Presentation by Not-For-Profit Organizations", has been amended to permit a not-for-profit organization to present net assets invested in equipment as a category of internally restricted net assets and clarification of presentation of revenue and expenses on a gross basis when the entity is acting as the principal in a transaction.

CICA Handbook Section 4430, "Capital Assets Held by Not-For-Profit Organizations," has been amended to reflect the changes in Section 4400.

CICA Handbook Section 4460, "Disclosure of Related Party Transactions by Not-For-Profit Organizations," has been amended to align the definition of related parties with Related Party Transactions, Section 3840.

3. NET INVESTMENT IN DIRECT FINANCING LEASES

Net investment in direct financing leases consists of the following:

	2009 \$	2008 \$
Total minimum lease payments	724,958	1,364,300
Unearned lease revenue	(59,958)	(13,300)
	665,000	1,351,000
Less current portion	(190,000)	(1,351,000)
Non-current portion	475,000	-

During the year, the lease was renewed under similar terms. Under the terms of the lease, the lease term is a twelve-month period from the commencement date of the lease. The lessee has the option to renew the lease for a further term of twelve months for a maximum of four renewals. The rent is set at 5% of the base price repayable over twelve months. The lease rent is equal to the base price times the interest rate of the company's banker's acceptance rate and stamping fee plus 2.5% adjusted monthly. The agreement also includes a renewal principal repayment equal to 10% of the base price payable on each anniversary of the commencement date in order to extend the lease term. The lessee may purchase the equipment at the end of any lease term for the remaining principal plus \$58,950.

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4. PROPERTY AND EQUIPMENT

Details of year-end property and equipment balances are as follows:

	2009		2008	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Airside equipment	3,129,162	439,626	3,317,493	858,619
Computer hardware	207,534	193,645	206,494	178,278
Computer software	464,320	445,379	456,211	438,502
Land and land transfer tax	1,031,411	36,748	1,002,291	33,686
Land development costs	3,895,743	617,692	3,741,296	494,153
Leasehold improvements	3,526,304	1,756,647	3,027,930	1,486,348
Office furniture and equipment	175,487	123,936	149,448	111,816
Runway upgrades	8,174,351	1,113,931	3,787,036	836,972
Security upgrades	3,183,786	1,751,065	3,183,786	1,114,300
Vehicles and equipment	2,262,463	1,707,994	2,295,911	1,806,559
	26,050,561	8,186,663	21,167,896	7,359,233
Property and equipment, net	17,863,898		13,808,663	

Amortization for the year is \$1,526,603 [2008 - \$1,491,442]. Included in property and equipment balances are \$243,592 of assets not being amortized as they are not in use.

5. INVESTMENT IN IFIDS.COM INC.

[a] The Authority's 50% interest in IFIDS.COM INC. is accounted for using the equity method.

	2009 \$	2008 \$
Balance, beginning of year	(13,203)	22,030
Earnings for year	4,295	(35,233)
Balance, end of year	(8,908)	(13,203)

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[b] Financial information of IFIDS.COM INC. is as follows:

	2009 \$	2008 \$
Balance Sheet		
Total assets	235,835	240,813
Total liabilities	356,026	369,594
Net assets	(120,191)	(128,781)
Authority's share of deficit	(60,096)	(64,391)
Income Statement		
Sales	297,010	276,309
Cost of sales	52,515	78,290
	244,495	198,019
Expenses	236,051	275,554
Interest and other income	146	7,069
Earnings (loss) for the year	8,590	(70,466)
Authority's share of net income (loss)	4,295	(35,233)

6. BANK INDEBTEDNESS

TD Canada Trust

The Authority has available a demand operating loan of \$550,000 bearing interest at the bank's prime lending rate plus 0.5% per annum [2.75% at year-end]. As collateral, the Authority has provided a general security agreement representing a first floating charge subject to the Ministry of Transport's first position on all assets except accounts receivable, chattel paper, document of title, instrument and money.

Thunder Bay International Airports Authority Inc.
Notes to the Consolidated Financial Statements

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7. LONG-TERM DEBT

[a]	2009 \$	2008 \$
Ontario Ministry of Finance		
\$360,000 interest-free loan, payable in five equal instalments commencing 2011, discounted using a 4.2% effective interest rate.	304,951	292,430
TD Canada Trust		
Term loan, repayable in monthly instalments of \$27,000 plus interest and a stamping fee of 0.95% per annum [1.26% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 6, a fixed charge on specific equipment, compensating balance in investments and cash, and assignment of insurance.	1,123,000	1,447,000
Term loan, repayable in monthly instalments of \$10,750 plus interest and a stamping fee of 0.95% per annum [1.26% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment and assignment of insurance.	784,750	913,750
Interim demand facility (multiple draw) up to a maximum of \$6,450,000, interest only payments monthly at the applicable banker's acceptance rate plus a stamping fee of 0.95% [1.26% combined at year-end], maturing December 31, 2010 by way of a term loan which will be payable over 20 years. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment and assignment of insurance.	997,000	-
Carried forward	3,209,701	2,653,180

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	2009 \$	2008 \$
Brought forward	3,209,701	2,653,180
TD Canada Trust		
Committed demand facility (multiple draw for a maximum of \$1,500,000), interest only payments monthly at the applicable banker's acceptance rate plus a stamping fee of 0.60% [0.91% combined at year-end]. Annual principal repayments of \$85,500 for Draw #1. Draw #2 repaid during the year. Draw #3 repaid by a lump-sum payment of \$67,000 and monthly payments of \$5,000. As collateral, the Authority has provided a general security agreement as described in note 6, a fixed charge on specific equipment and assignment of insurance, assignment of leases between the Authority and Marcel Boschung AG and an assignment of all equipment security agreements between the Authority and Marcel Boschung AG on specific equipment, maturing May 1, 2014.		
- Draw #1	665,000	665,000
- Draw #2	-	686,000
- Draw #3	68,000	128,000
	3,942,701	4,132,180
Less amounts included in current liabilities	692,000	1,931,000
Long-term portion	3,250,701	2,201,180

[b] Principal repayments, based on the undiscounted cash flows required over the next five years, are as follows:

	\$
2010	692,000
2011	660,350
2012	660,350
2013	487,350
2014	488,350
Thereafter	1,009,350
	3,997,750

Thunder Bay International Airports Authority Inc. Notes to the Consolidated Financial Statements

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[c] TD Canada Trust Draw #3 is secured specifically by equipment which was sold in 2007 and is included in the current portion of long-term debt. Draw #1 and Draw #3 are secured by a general security agreement and the investment portfolio.

8. RETIREMENT ALLOWANCE LIABILITY

Under the terms of the transfer agreement with Transport Canada, the Authority assumed the Government of Canada's obligation to pay its former employees compensation upon retirement or termination in accordance with the collective agreements. The Authority has continued to record the liability in accordance with the agreements.

Information about the Authority's retirement allowance liability is as follows:

	2009 \$	2008 \$
Balance, beginning of year	431,570	400,020
Expense for the year	34,224	31,550
Benefits paid during the year	(11,060)	-
Balance, end of year	454,734	431,570

9. INVESTMENT IN PROPERTY AND EQUIPMENT

[a] Investment in property and equipment is calculated as follows:

	2009 \$	2008 \$
Property and equipment at net book value	17,863,898	13,808,663
Amounts financed by:		
Deferred capital contributions	(3,438,647)	(4,067,620)
Long-term debt	(3,209,701)	(2,653,180)
	11,215,550	7,087,863

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Thunder Bay International Airports Authority Inc. Notes to the Consolidated Financial Statements

December 31, 2009

[b] Change in net assets investment in property and equipment is calculated as follows:

	2009 \$	2008 \$
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	703,973	703,973
Amortization of property and equipment	(1,526,603)	(1,481,106)
Interest added to long-term debt	(12,521)	(12,007)
Gain on sale of equipment	24,597	-
	(810,554)	(789,140)

[c] Net change in investment in property and equipment:

	2009 \$	2008 \$
Purchase of property and equipment	6,062,008	1,628,966
Amounts funded by:		
Restricted contributions	(75,000)	-
Loan proceeds	(997,000)	-
Repayment of long-term debt	453,000	453,000
Proceeds on sale of equipment	(504,767)	-
	4,938,241	2,081,966

10. STATEMENT OF CASH FLOWS

[a] The net change in non-cash working capital accounts related to operations is represented by the following:

	2009 \$	2008 \$
Decrease (increase) in current assets		
Accounts receivable	(233,871)	1,059,014
Inventory, at cost	(10,499)	2,376
Prepaid expenses and deposits	(85,237)	(2,991)
	(329,607)	1,058,399
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	3,831,714	(143,813)
Due to the Municipality of Red Lake	(8,756)	32,600
Deferred revenues and customer deposits	(1,064,542)	1,140,547
Security deposits	-	900
	2,758,416	1,030,234
	2,428,809	2,088,633

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Thunder Bay International Airports Authority Inc. Notes to the Consolidated Financial Statements

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[b] During the year, property and equipment were acquired at an aggregate cost of \$6,062,008 [2008 - \$1,628,966] of which \$75,000 [2008 - \$nil] were funded by restricted contributions and \$997,000 [2008 - \$nil] were funded by means of long-term debt. Cash payments and net proceeds of disposition of \$4,990,008 [2008 - \$1,628,966] were used to purchase property and equipment.

11. COMMITMENTS

The Authority has a Ground Lease with Transport Canada which calculates rent as a percentage of revenue using an escalating percentage of Airport Revenue which has the following ranges; 0% for revenue below \$5 million, 1% for revenue between \$5 and \$10 million, 5% for revenue between \$10 and \$25 million, 8% for revenue between \$25 and \$100 million, 10% for revenue between \$100 and \$250 million, and 12% for revenue in excess of \$250 million.

12. PENSION PLANS

The Authority sponsors a pension plan on behalf of its employees which has defined benefit and defined contribution components.

The defined contribution component of the pension plan has twelve employees currently participating in it. Pension expense for the defined contribution plan is \$20,567 for 2009.

The defined benefit component is for employees who were employees of the Authority on the date of transfer including former Transport Canada employees who may elect to transfer their entitlements under the Public Service Superannuation Plan to the Authority Plan. The Authority will inherit no unfunded pension plan liability from Transport Canada in respect of transferring employees who elect to transfer their entitlements to the defined benefit component of the plan. As of December 31, 2009, no assets have been transferred from Transport Canada.

Employer contributions amounted to \$220,000 and employee contributions amounted to \$46,000 in 2009. Benefits paid to members of the plan in 2009 were \$40,000. The Authority has an accrued benefit asset of \$512,000 at December 31, 2009.

Based on the actuarial valuation, the fair value of the entire plan assets and the accrued benefit obligation as of the most recent actuarial extrapolation at December 31, 2009 were \$3,758,000 and \$3,894,000 respectively, leaving a deficit of \$136,000.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2009 are as follows:

Discount rate	6.25%
Expected long-term rate of return on plan assets	6.50%
Rate of compensation increase	4.00%

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Thunder Bay International Airports Authority Inc. Notes to the Consolidated Financial Statements

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13. CAPITAL DISCLOSURES

The Authority must maintain certain financial covenants as required by its credit facility agreement on a consolidated basis. Covenant breaches give the lender the right to demand repayment of debt. At the year-end, the Authority was in compliance with these covenants.

14. FINANCIAL INSTRUMENTS

[a] Financial instruments

The fair values of cash and cash equivalents, accounts receivables, and accounts payable and accrued liabilities are not materially different from their carrying values due to the short-term nature of these financial instruments. The fair value of investments and long-term debt are reflected in the consolidated balance sheet.

[b] Credit risk

Credit risk is the risk that a counter party will fail to discharge its obligation to the Authority reducing the expected cash inflow from the Authority assets recorded at the balance sheet date. Credit risk can be concentrated debtors that are similarly affected by economic or other conditions. A significant portion of the Authority's revenues and resulting receivable balances are derived from airlines. The Authority performs ongoing credit valuations of receivable balances and maintains provision for potential credit losses.

[c] Interest rate risk

The Authority is exposed to interest rate risk for certain of its financial assets and liabilities. Under the revolving terms of credit, the Authority may have short-term borrowings for working capital purposes, which would expose the Authority to fluctuations in short-term interest rates (borrowings in the form of prime rate loans in Canadian dollars).

[d] Foreign exchange risk

The Authority's foreign currency translation policy is described in note 1. The Authority does not enter into foreign currency futures and forward contracts to manage its exposure to foreign currency fluctuations.

15. CONTINGENT LIABILITIES

The Authority is subject to legal proceedings and claims from time to time, which arise in the normal course of business for which the amount of settlement, if any, is indeterminable at this time. The settlement, if any, will be expensed in the financial statements at the time of settlement.

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Thunder Bay International Airports Authority Inc.
Notes to the Consolidated Financial StatementsDecember 31, 2009

16. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

Thunder Bay International Airports Authority Inc.
Consolidated Schedule of Revenue

Year ended December 31	2009	2008
	\$	\$
Airside	2,304,642	2,272,931
Industrial land leases	614,671	569,061
Miscellaneous	132,025	173,637
Parking and ground transportation	1,108,921	1,028,482
Terminal	3,173,194	3,118,935
Federal rent recovery	37,744	41,791
	7,371,197	7,204,837
Revenue from business initiatives	1,015,136	913,104
	8,386,333	8,117,941

CONTACT INFORMATION

Scott McFadden, President & CEO - (807) 473-2600
or e-mail at scott@tbAirport.on.ca

Ed Schmidtke, Manager Business Development - (807) 473-2602
or e-mail at schmide@tbAirport.on.ca

Bill Britt, Manager Operations - (807) 473-2613
or e-mail at brittb@tbAirport.on.ca

Domenic Vita, Manager Airport Services - (807) 473-2617
or e-mail at vitad@tbAirport.on.ca

Walter Turek, P.Eng., Facilities Manager - (807) 473-2615
or e-mail at turekw@tbAirport.on.ca

www.thunderbayAirport.com