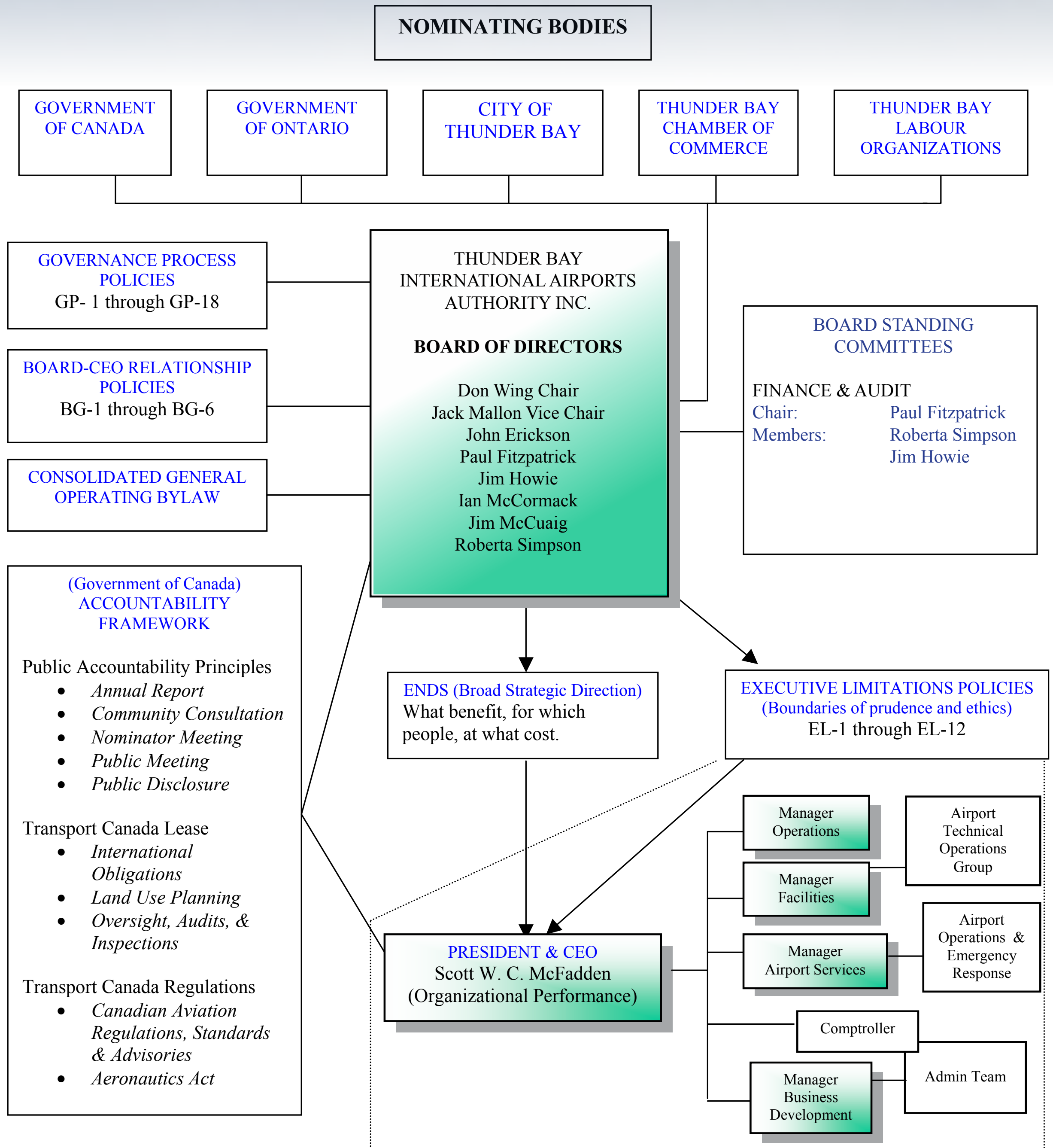
2010 Annual Report

THUNDER BAY
International Airports Authority Inc.

- THREE NEW SUN DESTINATION CHARTERS
- WASAYA ADDS DASH 8 SERVICE
- SOFTWARE EXPANSION INTO USA
- RECORD PASSENGER LEVELS
- PARKING LOT IMPROVEMENTS
- SOLAR PROJECT START
- NEW ORNGE HANGAR

THUNDER BAY INTERNATIONAL AIRPORTS AUTHORITY

CORPORATE GOVERNANCE AND ACCOUNTABILITY FRAMEWORK



Message from the Chair

On behalf of the Board, I am pleased to present the Authority's Annual Report for the year 2010.

The TBIAA's focus remains on the safe, secure and efficient operation of the Thunder Bay International Airport, at the same time leveraging the Airport and the Authority's expertise to create economic development opportunities for the region.

Our Board believes that a long-term view is paramount; the Airport is a key catalyst for Thunder Bay and the region's economy. It is a critical part of a regional transportation infrastructure that impacts every other public and private sector organization either directly or indirectly. 2010 was the best year ever for the Airport in terms of passenger traffic with just under 690,000 passengers using the Terminal.

The Board believes that linkages with our community and our many stakeholders are integral to the Authority's success. As a result, the Board launched a linkage plan in 2010 to connect with the broader community. The Board's purpose for doing this is to provide information and an accountability report on achievements, as well as to seek input from others in the community on the future directions for the Airport Authority. Over the next twelve months the Board will be actively engaged in connecting with twelve to fifteen organizations. The information gleaned from these conversations will not only be used to form decisions about the future of the Airport but also our findings will be shared with the community.

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 Airport operating smoothly and efficiently 365 days per year. We would also like to thank all our customers, clients and companies who have invested in doing business at and with the Airport in 2010.

Respectfully submitted,

Don Wing, Chair
April 21st, 2011

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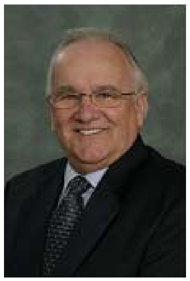
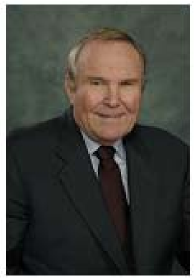
1 TBIAA Board of Directors 2010

The Thunder Bay International Airports Authority Inc. (TBIAA) is a non share capital corporation incorporated under the Canada Corporation Act. Members of the Board of Directors are community leaders nominated by government and non-government organizations.

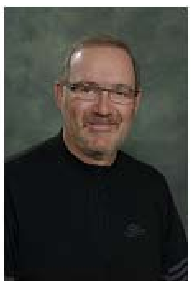


Jack Mallon (Vice Chair)

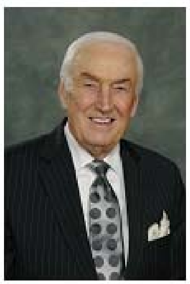
Don Wing (Chair)



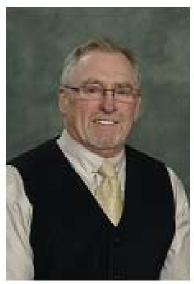
John Erickson



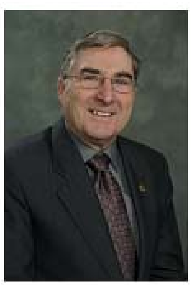
Paul Fitzpatrick



Andy Coffey



Jim Howie



Jim McCuaig

Ian McCormack

Roberta Simpson

The Board has overall responsibility for the management of the affairs of the TBIAA, and the organization is fortunate to have attracted Board members who offer a wealth of knowledge and experience. The Board has established an administrative procedure outlined in the TBIAA General Operating By-Law and Letters Patent.

The Board takes great pride in the Authority's achievements in 2010 which included a record–breaking 690,000 passengers, the busiest year ever for the Thunder Bay International Airport.

The Board recognizes the importance of the Thunder Bay International Airport to the region and will continue to leverage the airport, as a critical piece of transportation infrastructure, to benefit the economy of the region.

Board Membership

The Board would like to thank Mr. Don Slobojan who completed his term in October. Mr. Slobojan served on the Board since Fall 2003 and provided valuable assistance to the Board and the Finance & Audit Committee during this time. The Board would also like to welcome Mrs. Roberta Simpson as the Thunder Bay Chamber of Commerce Nominee. Mr. Don Wing and Mr. Jack Mallon continued as Chair and Vice Chair respectively

Board membership as of December 31st, 2010:

Director	Nominated by	Term Expiry
Ian McCormack	City of Thunder Bay	November 30, 2013
Andrew Coffey	Federal Government (Transport Canada)	January 10, 2011
Paul Fitzpatrick	Province of Ontario (Ministry of Transportation)	October 1, 2013
Jim Howie	Thunder Bay Labour (IBEW)	October 1, 2013
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
Roberta Simpson	Thunder Bay Chamber of Commerce	October 1, 2013
Don Wing (Chair)	Thunder Bay International Airports Authority Inc.	October 1, 2012

Thunder Bay International Airports Authority Inc.

(Incorporated under the laws of Canada)

Pursuant to Article 17 of the By-law 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, 2010.

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, 2010 to Dec 31, 2010 was as follows:

Mr. Andrew Coffey	$16,349.98
Mr. Paul Fitzpatrick	$16,749.98
Mr. Don Slobojan	$16,799.98
Mr. Jack Mallon	$16,849.98
Mr. Don Wing	$23,699.98
Mr. John Erickson	$14,549.98
Mr. Jim McCuaig	$17,749.98
Mr. Ian McCormack	$17,549.98
Mr. Jim Howie	$16,599.98

During 2010, 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 2010 salary for the Chief Executive Officer of the corporation was $176,800.

The TBIAA did not enter into any contracts during the fiscal year ended December 31, 2010, 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, 2010 through to December 31, 2010 are included in the annual statements section of this report.

DATED this 22th Day of March 2011.

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."

As a non share capital, private Corporation, the Thunder Bay International Airports Authority Inc. 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 and therefore the Board has set a long term direction for the Corporation that seeks to leverage the success of the Airport to the benefit of the local and regional economy.

The TBIAA has successfully operated with annual surpluses since 1997, generating consolidated net assets in excess of $25million. The 2010 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 National airport with no airport improvement/passenger fee.

The Airport is responsible for half a billion dollars in value added GDP in the Community, supporting some 4500 direct and indirect jobs with 1140 located at the airport. For example the Annual benefit of daily 19-seat air service over a one year period: 33 full time jobs, $1.5million in Labour Income and $3.73million in GDP. The loss of Thunder Bay–Minneapolis air service in October, which at one time was three daily 30-seat aircraft, is therefore a significant economic as well as transportation loss to the Community.

In 2009 the Board approved a capital plan to extend the main runway. This project was substantially completed under-budget in November 2009. We are pleased to report that since that time there have been no reports of load restricted flights.

Additionally, the number of cancellations, diversions and delays attributed to runway conditions in Thunder Bay has also been reduced dramatically (with all occurring the same day in November 2010). The TBIAA financed this project by taking on debt and implementing a relatively small increase in landing fees. This $6.5 million investment is calculated to save the Community $11.4 million per year in lost GDP.

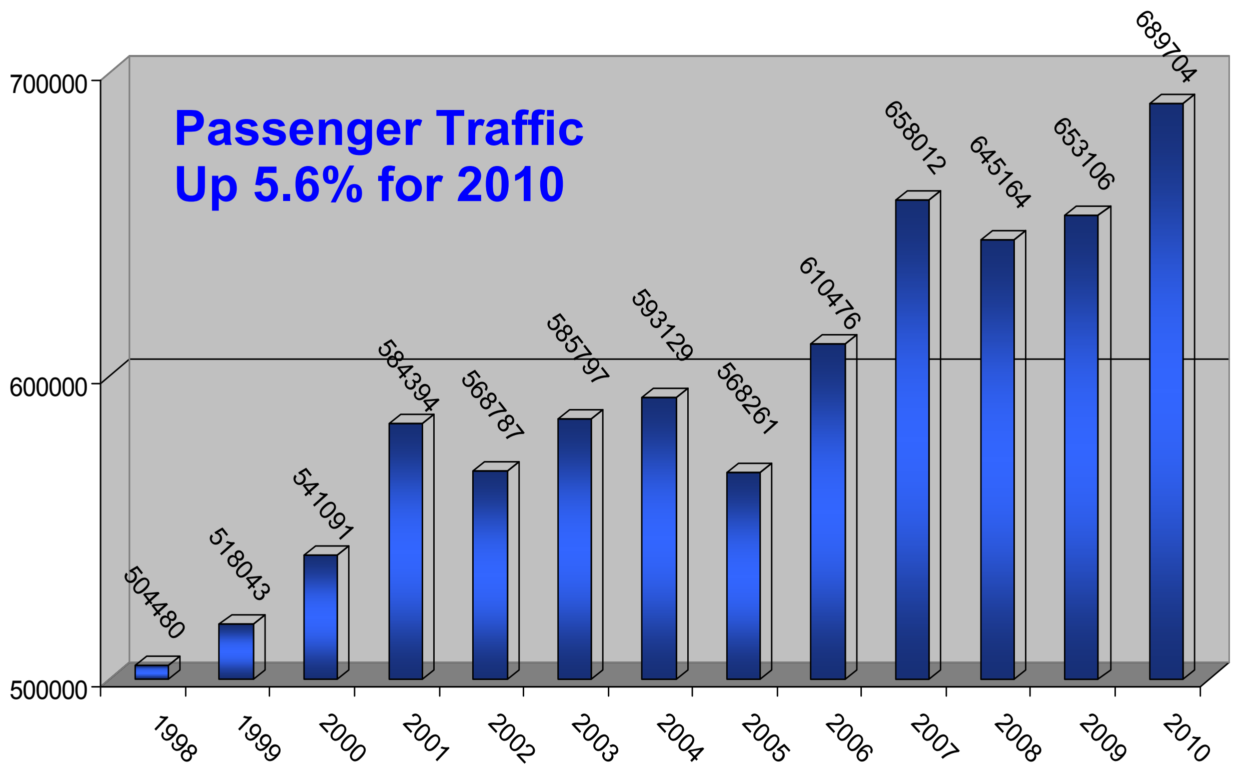
In addition to improvements in weather-related availability of the runway, the TBIAA was successful in attracting three sun-spot charters for the 2010/2011 season. In the past these flights have occasionally needed "technical stops" for fuel. With the additional runway length we have received no reports of technical stops during this winter's program.

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.

In 2010 the Organization continued to pursue the Board's Ends via the 2010 Business Plan. All key plan targets were met or exceeded in 2010. A 2011 Business Plan and updated Ends Interpretation were drafted in the Fall and the 2011 budget approved. The 2011 Business Plan contemplates a business environment in which Mining, Manufacturing and Health Sciences continue to be the significant drivers of economic growth for Thunder Bay. This is consistent with the experience in 2010.

At the time of writing, the Thunder Bay International Airport just posted the 24th consecutive growth month where passenger traffic exceeded the same month in the previous year. 2010 was the best year ever for the Airport in terms of passenger traffic with just under 690,000 passengers using the Terminal.

Thunder Bay continues to be well served by Air Canada Jazz, Porter Airlines, and WestJet with Bearskin Airlines, Nakina Air and Wasaya Airways continuing to network passengers into the region and North. In addition Sun Wing, Transat and WestJet offered non-stop service to Varadero, Cancun, and Punta Cana respectively.



FINANCIAL RESULTS

Revenue grew by 8.75% while total operating expenses increased by 5%. Cost increases were due to the runway extension depreciation and interest costs. Direct Expenses decreased by 1.5% in 2010. Net income from operations was a little over $1.5 million (including amortization of differed capital contribution) and total excess of revenues over expenses was over $2.4 million or 28% of revenues.

The TBIAA generated approximately $3 million in cash which was used to pay down debt, fund, in part, the TBIAA's capital program including cost from the 2009 runway extension and make special payments to the defined benefit pension plan.

Consolidated total net assets grew to over $25.7million up 10.4% over 2009. For further details please refer to the financial statements and notes included in this report.

ACTIVITIES

The TBIAA continued its substantial capital program in 2010 with the completion of Phase I of the parking and ground side redevelopment program, which included the addition of new short and long term parking, the relocation and reconfiguration of the main parking entrances, the addition of a new exit and an all new cell phone lane.

Phase II of the ground side redevelopment project was tendered, awarded and construction commenced late fall. This project will see the expansion of short and long term parking and rental car lots, additional entries and exits, as well as enhance pedestrian safety with "traffic calming" crosswalks.

The final elements associated with the main Runway extension project were also completed including the replacement of the main runway lighting and most taxiway lighting with halogen and LED technology respectively. In total more than 25 kilometres of underground cabling was replaced. In 2011 the Runway 07 localizer will be relocated to eliminate the displaced threshold at the east end of the runway.

7 Economic Development

The Board of Directors is proud of the benefits the Airport brings to Thunder Bay and the region and intends to continue to responsibly leverage the business and geographical strength of the Thunder Bay International Airport to benefit the local and regional economies. Ultimately this is the TBIAA's version of Marketing & Business Development as growth in the economy translates directly into growth of the TBIAA's core business.

Solar

Three years in the making, the TBIAA was ultimately successful in negotiating a deal to see SkyPower Inc. build an 8.9 MW solar power plant at the Airport. As the closest power consumer to the plant, and with the plant on aggregate producing far more power than the Airport can use, the Thunder Bay Airport will effectively be Canada's first solar-powered airport. At the time of writing, construction is well underway.

Hotel

Announced late in 2010 is a proposal by a local development group to build a Hilton Hampton Inn at the Airport. The project is moving forward subject to zoning approval from the City of Thunder Bay.

> *"Thunder Bay Airport will effectively be Canada's first solar-powered airport."*

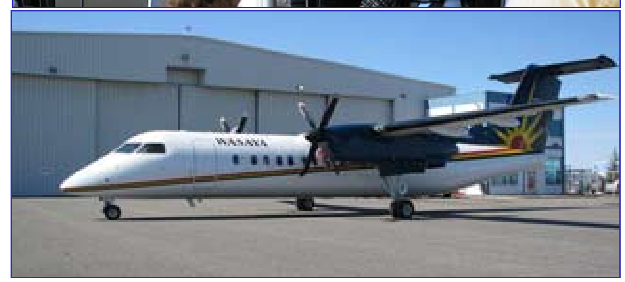
Aviation Expansion

With the growth in the mining sector comes demand for aviation services. Three Thunder Bay companies are expanding to meet the demand.

The TBIAA joined Wisk Air Helicopters in celebrating the grand opening of its new facility which includes more than doubling of hangar shop and office space.

The Kelner Group, Canadian distributor of the hugely successful Pilatus PC12 aircraft, broke ground on the North side of the Airport for a new fixed and rotary wing support centre including hangar, shop and office space.

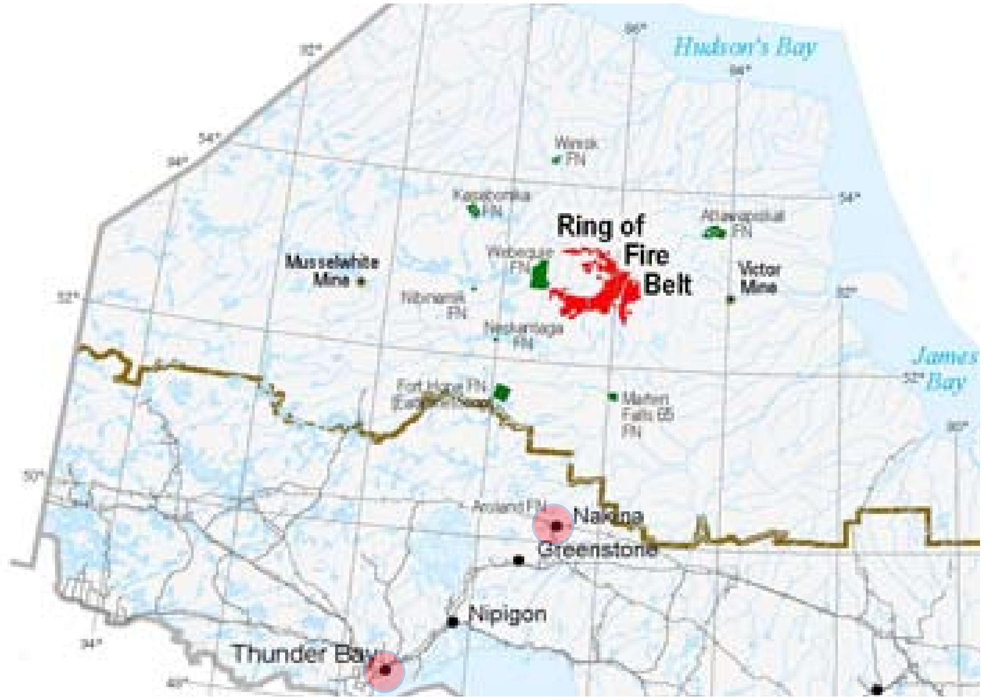
Wasaya Airways also made big steps forward in 2010, starting new Dash8-300 service to Red Lake, bringing a second Dash8 on line and purchasing an existing hangar on the field which was quickly converted to shop and technical support space as well as immediately filling the aircraft parking/apron area.



Economic Development Continued

Thunder Bay Airport Services Inc.

TBIAA's subsidiary Thunder Bay Airport Services Inc. was successful in its bid to provide airport management support to the Municipality of Geraldton under a contract to manage the Nakina Airport. This is a key contract in that although the Airport is currently relatively small in terms of activity, significant infrastructure investments will take place in 2011 in preparation for the significant activity forecast to occur in association with the Ring Of Fire mining and exploration area. Nakina being the "end of the road" as far as ground transportation is concerned.



TBAS was also retained by the Government of the Northwest Territories to provide strategic management advice for the operation and development of the Yellowknife Airport.

iFIDS.com

The TBIAA's first subsidiary company iFIDS.com continues to be successful breaking into the US market with the first US sale of its innovative airport billing solution "Aileron" to the Florida Northwest Regional Airport. iFIDS.com now has airport, airline and government customers across Canada, the US and Bahamas.

SGE Ltd.

The sales cycle for advanced technology specialized airport equipment is about 18 months. SGE completed a deal to sell two refurbished Boschung JetBrooms into Kazakhstan in 2009 and by late 2010 had received word that Fort McMurray Airport Authority will become the newest SGE customer and operator of the most advanced airport surface maintenance vehicle in existence, the Boschung JetBroom 8000.

The Authority continues to pursue opportunities to expand both aviation and non-aviation business expansion at the airport.

9 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.

In 2010 the last of the TBIAA Airport Firefighters transitioned to the Airport Operations Specialist (AOS) program or, in one case, retired after a distinguished career of over 35 years at the Thunder Bay International Airport.

At the core of the TBIAA’s safety management philosophy (and Transport Canada’s SMS regulation), is the need to

1. identify risks, and
2. allocate financial and organizational resources to those areas/activities which will have the greatest probability of benefiting aviation safety.

The AOS program is, ironically, limited in its safety proactivity by outdated and cumbersome Aerodrome Regulations.

The next phase of the TBIAA’s Safety Management Plan is to further explore proactive safety opportunities including those that will benefit from updated regulations.

Organizational Development

The TBIAA has been through a major organization transition in the last few years. The motivation for the transition was growth in our core and subsidiary businesses, increasing demands on individual positions due to increased and new regulations, the transition to the AOS proactive airfield operations methodology, normal attrition & retirements, plus the need to ensure the future of TBIAA by hiring, training and mentoring the next generation of Airport Industry professionals.

Change comes with any transition and our organization is no different. Since 2008 Management and employees have participated in several learning, developing and relationship building exercises, programs and joint working groups. These activities in some cases have been facilitated by external expertise, for example Federal Mediation Services’ “Relationships by Objectives.”

In the end the TBIAA is much stronger for all our efforts. The average age at TBIAA is about 50% of what it was 5 years ago. We have an efficient, proactive approach to safety, and bench strength in a dedicated group of up and coming young leaders.

Social & Recreation Committee

Beyond the success story of achieving significant organizational and operational changes, March of 2010 marked the introduction of the TBIAA Social and Recreation Committee (SRC) as an effort to add another dimension to our workplace.

The objective of the SRC is to provide an opportunity for everyone in the organization to get together in a non-work environment while providing entertaining, fun and interactive activities for all staff at work. At its core, the committee simply wants to provide events that would encourage getting to know more about one another, which is a benefit to the entire organization.

The SRC is also committed to community awareness and events that may be of benefit to various charity groups in the region. The most recent example was hosting a charity barbecue to raise money for Red Cross, specifically to aid those in need in Japan.

The most successful event to date was bringing in a Lancaster Bomber and raising money for the Canadian Warplane Heritage Museum. Partnering with Confederation College's Aviation Centre of Excellence, the SRC also staged a food drive for the college's student food bank. More than 2000 residents came to visit the Lancaster and responded generously to both groups.

Anyone in the TBIAA family has the opportunity to donate on a biweekly basis to the Committee's fund, which is used to put on various events. Events we have seen so far include: barbecues, bowling, paint ball, snow tubing and bocce ball, with more to come! The combined fund-raising efforts allow these events to typically include spouses at little to no cost, which always makes the events more enjoyable and interactive.

All opinions and ideas set forth to the SRC are welcomed to ensure that our activities will interest all workers and will see that our activities can be created so everybody can equally be part of and attend the events.

Community Participation

TBIAA was proud sponsor of the following key Community events in 2010:

- CIS Cavendish Cup Hockey Tournament
- World Junior Baseball Championships
- Employee/employer fund-raising awards 2009 United Way Campaign
- Thunder Bay Miles with the Giant Marathon
- Sponsor, Jason Myslicki, 2010 Winter Olympics Combined Nordic
- TBIAA Directors and employees involved in Community organizations:
  - Community Economic Development Commission,
  - Northwestern Ontario Innovations Centre,
  - Thunder Bay Chamber of Commerce,
  - Ambassadors Northwest,
  - TBaytel and others.

Thank you to our customers!

The Thunder Bay International Airports Authority extends thanks and appreciation to all Airport customers including passengers/meeters & greeters, and air operators.

A special thanks goes to our growing base of customers of our subsidiary companies iFIDS.com Inc., SGE Ltd and Thunder Bay Airport Services Inc. To the extent an airport business can grow it's business "beyond the fence" our subsidiary customers represent success in an important part of our business strategy.

Grant Thornton

Consolidated Financial Statements

Thunder Bay International Airports Authority Inc.

December 31, 2010

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Independent Auditor's Report

To the Directors of
Thunder Bay International Airports Authority Inc.

We have audited the accompanying consolidated financial statements of Thunder Bay International Airports Authority Inc., which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statements of earnings, net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Thunder Bay International Airports Authority Inc. as at December 31, 2010, 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 17, 2011

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Earnings

Year ended December 31	**2010**	2009
	$	$
REVENUE *[schedule]*	**8,744,636**	8,386,333
EXPENSES		
Direct		
Advertising and promotion	**105,701**	99,360
Benefits	**587,162**	408,494
Contracted maintenance	**383,119**	387,600
Contracted services	**466,860**	435,163
Equipment rentals	**4,397**	30,832
Federal rent	**37,973**	43,368
Interest on long-term debt	**7,362**	9,262
Materials and supplies	**347,305**	588,200
Office and administration	**44,239**	71,786
Professional and consulting fees	**270,511**	249,334
Purchased repairs	**143,729**	196,550
Salaries	**2,286,876**	2,255,193
Telephone	**32,061**	33,240
Training and meetings	**92,263**	79,017
Travel	**56,244**	40,457
Utilities	**367,242**	386,305
	5,233,044	5,314,161
Indirect		
Amortization	**1,918,141**	1,526,603
Bad debts (recovered)	**335**	(6,462)
Directors' fees	**157,900**	146,950
Payment in lieu of property taxes	**346,460**	338,044
Insurance	**148,318**	157,061
Interest and bank charges	**37,606**	31,595
Interest on long-term debt	**101,951**	41,184
	2,710,711	2,234,975
Total expenses	**7,943,755**	7,549,136
Earnings before the following	**800,881**	837,197
Realized earnings on investments	**447,775**	169,418
Fair market value adjustment	**474,229**	1,223,987
Amortization of deferred capital contributions *[note 8]*	**703,973**	703,973
Gain on sale of equipment	**-**	24,597
Earnings of IFIDS.COM INC.	**4,103**	4,295
Excess of revenue over expenses	**2,430,961**	2,963,467

See accompanying notes to the consolidated financial statements.

GrantThornton

Thunder Bay International Airports Authority Inc.
Consolidated Balance Sheet

As at December 31	**2010**	2009
	$	$
ASSETS		
Current		
Cash and cash equivalents	**1,636,832**	1,322,187
Accounts receivable	**661,971**	948,067
Inventory, at cost	**79,089**	95,886
Prepaid expenses and deposits	**117,250**	209,639
Current portion of net investment in direct financing lease *[note 2]*	**95,000**	190,000
Total current assets	**2,590,142**	2,765,779
Property and equipment, net *[note 3]*	**17,735,588**	17,863,898
Other		
Investments	**15,174,746**	14,276,209
Net investment in direct financing lease *[note 2]*	**380,000**	475,000
Accrued benefit asset *[note 12]*	**703,000**	512,000
Total other assets	**16,257,746**	15,263,209
	36,583,476	35,892,886
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**1,573,866**	4,486,337
Due to the Municipality of Red Lake	**59,509**	103,393
Current portion of long-term debt *[note 6[a]]*	**862,784**	692,000
Deferred revenue	**151,419**	140,858
Investment in IFIDS.COM INC. *[note 4]*	**4,805**	8,908
Total current liabilities	**2,652,383**	5,431,496
Non-current		
Security deposits	**24,080**	24,130
Long-term debt *[note 6[a]]*	**5,026,605**	3,250,701
Deferred capital contributions *[note 8]*	**2,734,674**	3,438,647
Retirement allowance liability *[note 7]*	**421,595**	454,734
Total non-current liabilities	**8,206,954**	7,168,212
Net assets		
Investment in property and equipment *[note 9[a]]*	**9,586,525**	11,215,550
Unrestricted	**16,137,614**	12,077,628
Total net assets	**25,724,139**	23,293,178
	36,583,476	35,892,886

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director

Director

GrantThornton

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

Year ended December 31			2010	2009
	Investment in property and equipment $ *[note 9]*	**Unrestricted** $	**Total** $	Total $
Net assets, beginning of year	**11,215,550**	**12,077,628**	**23,293,178**	20,329,711
Excess of revenue over expenses	**(1,227,226)**	**3,658,187**	**2,430,961**	2,963,467
Net change in investment in property and equipment	**(401,799)**	**401,799**	**-**	-
Net assets, end of year	**9,586,525**	**16,137,614**	**25,724,139**	23,293,178

See accompanying notes to the consolidated financial statements.

Grant Thornton

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

Year ended December 31	2010	2009
	$	$
OPERATING ACTIVITIES		
Excess of revenue over expenses	**2,430,961**	2,963,467
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	**1,918,141**	1,526,603
Amortization of deferred capital contributions	**(703,973)**	(703,973)
Increase in accrued benefit asset	**(191,000)**	(101,000)
Increase (decrease) in retirement allowance liability	**(33,139)**	23,164
Interest added to long-term debt	**13,058**	12,521
Fair market value adjustment	**(474,229)**	(1,223,987)
Gain on sale of equipment	**-**	(24,597)
Earnings of IFIDS.COM INC.	**(4,103)**	(4,295)
	2,955,716	2,467,903
Net change in non-cash working capital balances related to operations *[note 10[a]]*	**(2,550,562)**	2,428,809
Cash provided by operating activities	**405,154**	4,896,712
INVESTMENT ACTIVITIES		
Purchase of property and equipment *[note 10[b]]*	**-**	(4,990,008)
Purchase of investments, net	**(424,308)**	(149,662)
Proceeds on sale of equipment	**-**	504,767
Cash used in investment activities	**(424,308)**	(4,634,903)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(711,000)**	(1,199,000)
Net proceeds from long-term debt	**854,799**	-
Repayment of direct financing lease	**190,000**	686,000
Cash provided by (used in) financing activities	**333,799**	(513,000)
Increase (decrease) in cash and cash equivalents during year	**314,645**	(251,191)
Cash and cash equivalents, beginning of year	**1,322,187**	1,573,378
Cash and cash equivalents, end of year	**1,636,832**	1,322,187

See accompanying notes to the consolidated financial statements.

Grant Thornton

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 earnings 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.
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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.

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 licence 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 $0.9946. Monetary assets and liabilities denominated in Swiss Francs are translated using the exchange rate of 1 Swiss Franc = Canadian $1.0645.

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 revenue and customer deposits, security deposits, and long-term debt as other financial liabilities.

2. NET INVESTMENT IN DIRECT FINANCING LEASE

Net investment in direct financing lease consists of the following:

	2010 $	2009 $
Total minimum lease payments	**523,870**	724,958
Unearned lease revenue	**(48,870)**	(59,958)
	475,000	665,000
Less current portion	**(95,000)**	(190,000)
Non-current portion	**380,000**	475,000

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.

3. PROPERTY AND EQUIPMENT

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

	2010		2009	
	Cost $	**Accumulated amortization** $	Cost $	Accumulated amortization $
Airside equipment	**3,490,117**	**625,048**	3,183,162	439,626
Computer hardware	**207,534**	**202,797**	207,534	193,645
Computer software	**464,320**	**454,270**	464,320	445,379
Land and land transfer tax	**1,031,411**	**39,810**	1,031,411	36,748
Land development costs	**3,907,021**	**741,230**	3,895,743	617,692
Leasehold improvements	**4,033,129**	**1,998,682**	3,526,304	1,756,647
Office furniture and equipment	**200,501**	**141,381**	175,487	123,936
Runway upgrades	**8,982,345**	**1,663,251**	8,174,351	1,113,931
Security upgrades	**3,183,786**	**2,387,830**	3,183,786	1,751,065
Vehicles and equipment	**2,265,144**	**1,775,421**	2,208,463	1,707,994
	27,765,308	**10,029,720**	26,050,561	8,186,663
Property and equipment, net	**17,735,588**		17,863,898	

Amortization for the year is $1,918,141 [2009 - $1,526,603].

4. INVESTMENT IN IFIDS.COM INC.

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

	2010 $	2009 $
Balance, beginning of year	**(8,908)**	(13,203)
Earnings for year	**4,103**	4,295
Balance, end of year	**(4,805)**	(8,908)

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

	2010 $	2009 $
Balance Sheet		
Total assets	**233,017**	235,835
Total liabilities	**345,003**	356,026
Net assets	**(111,986)**	(120,191)
Authority's share of deficit	**(55,994)**	(60,096)
Earnings Statement		
Sales	**246,350**	297,010
Cost of sales	**34,761**	52,515
	211,589	244,495
Expenses	**203,662**	236,051
Interest and other income	**278**	146
Earnings for year	**8,205**	8,590
Authority's share of net earnings	**4,103**	4,295

5. 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 [3.50% 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.
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6. LONG-TERM DEBT

[a]

	2010 $	2009 $
Ontario Ministry of Finance $360,000 interest-free loan, payable in five equal instalments commencing 2011, discounted using a 4.2% effective interest rate.	**318,009**	304,951
TD Canada Trust Term loan, repayable in monthly instalments of $27,000 plus interest and a stamping fee of 0.95% per annum [2.14% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 5, a fixed charge on specific equipment, compensating balance in investments and cash, and assignment of insurance.	**799,000**	1,123,000
Term loan, repayable in monthly instalments of $10,750 plus interest and a stamping fee of 0.95% per annum [2.14% combined at year-end]. As collateral, the Authority has provided a general security agreement as described in note 5 and a fixed charge on specific equipment and assignment of insurance.	**655,750**	784,750
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% [2.14% 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 5 and a fixed charge on specific equipment and assignment of insurance.	**3,641,630**	997,000
Carried forward	**5,414,389**	3,209,701

	2010 $	2009 $
Brought forward	**5,414,389**	3,209,701
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% [1.79% combined at year-end]. Annual principal repayments of $95,000 for Draw #1. Draw #3 repaid during the year. As collateral, the Authority has provided a general security agreement as described in note 5, 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	**475,000**	665,000
- Draw #3	**-**	68,000
	5,889,389	3,942,701
Less amounts included in current liabilities	**862,784**	692,000
Long-term portion	**5,026,605**	3,250,701

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

	$
2011	862,784
2012	862,784
2013	689,784
2014	538,784
2015	538,784
Thereafter	2,438,460
	5,931,380

Subsequent to year-end, the Authority signed a new credit facility agreement with TD Canada Trust. The balance outstanding on the interim demand facility has been converted into a term loan, repayable over 15 years in monthly payments of $20,232 plus interest at the applicable banker's acceptance rate plus a stamping fee of 0.95% [2.14% at year-end]. Principal repayments have been recalculated based on the new agreement. The balance remaining of $2,808,380 on the interim demand facility is available for single draw, interest only payments monthly at the applicable banker's acceptance rate plus a stamping fee of 0.95% [2.14% at year-end], maturing December 31, 2011 by way of a term loan which will be payable over 20 years.

[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.

7. 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:

	2010 $	2009 $
Balance, beginning of year	**454,734**	431,570
Expense for the year	**31,665**	34,224
Benefits paid during the year	**(64,804)**	(11,060)
Balance, end of year	**421,595**	454,734

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to property and equipment represent the unamortized amount of contributions received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the consolidated statement of earnings.

	2010 $	2009 $
Balance, beginning of year	**3,438,647**	4,067,620
Contributions received during year	**-**	75,000
Amortization	**(703,973)**	(703,973)
Balance, end of year	**2,734,674**	3,438,647

9. INVESTMENT IN PROPERTY AND EQUIPMENT

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

	2010 $	2009 $
Property and equipment at net book value	**17,735,588**	17,863,898
Amounts financed by:		
Deferred capital contributions	**(2,734,674)**	(3,438,647)
Long-term debt	**(5,414,389)**	(3,209,701)
	9,586,525	11,215,550

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

	2010 $	2009 $
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	**703,973**	703,973
Amortization of property and equipment	**(1,918,141)**	(1,526,603)
Interest added to long-term debt	**(13,058)**	(12,521)
Gain on sale of equipment	**-**	24,597
	(1,227,226)	(810,554)

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

	2010 $	2009 $
Purchase of property and equipment	**1,789,831**	6,062,008
Amounts funded by:		
Restricted contributions	**-**	(75,000)
Loan proceeds	**(2,644,630)**	(997,000)
Repayment of long-term debt	**453,000**	453,000
Proceeds on sale of equipment	**-**	(504,767)
	(401,799)	4,938,241

Thunder Bay International Airports Authority Inc.
Notes to the Consolidated Financial Statements
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10. STATEMENT OF CASH FLOWS

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

	2010 $	2009 $
Decrease (increase) in current assets		
Accounts receivable	**286,096**	(233,871)
Inventory, at cost	**16,797**	(10,499)
Prepaid expenses and deposits	**92,389**	(85,237)
	395,282	(329,607)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(2,912,471)**	3,831,714
Due to the Municipality of Red Lake	**(43,884)**	(8,756)
Deferred revenue	**10,561**	(1,064,542)
Security deposits	**(50)**	-
	(2,945,844)	2,758,416
	(2,550,562)	2,428,809

[b] During the year, property and equipment were acquired at an aggregate cost of $1,789,831 [2009 - $6,062,008] of which $nil [2009 - $75,000] were funded by restricted contributions and $1,789,831 [2009 - $997,000] were funded by means of long-term debt. Cash payments and net proceeds of disposition of $nil [2009 - $4,990,008] 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 22 employees currently participating in it.

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, 2010, no assets have been transferred from Transport Canada.

Employer contributions amounted to $369,000 and employee contributions amounted to $45,000 in 2010. Benefit payments totalled $234,000 in 2010. The Authority has an accrued benefit asset of $703,000 at December 31, 2010 [2009 - $512,000].

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, 2010 were $4,291,000 and $4,602,000 respectively, leaving a deficit of $311,000.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2010 are as follows:

Discount rate	5.50%
Expected long-term rate of return on plan assets	6.50%
Rate of compensation increase	4.00%

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.

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

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	**2010**	2009
	$	$
Airside	**2,597,092**	2,304,642
Industrial land leases	**626,601**	614,671
Miscellaneous	**117,450**	132,025
Parking and ground transportation	**1,299,582**	1,108,921
Terminal	**3,293,767**	3,173,194
Federal rent recovery	**20,630**	37,744
	7,955,122	7,371,197
Revenue from business initiatives	**789,514**	1,015,136
	8,744,636	8,386,333

THUNDER BAY
International Airports Authority Inc.

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