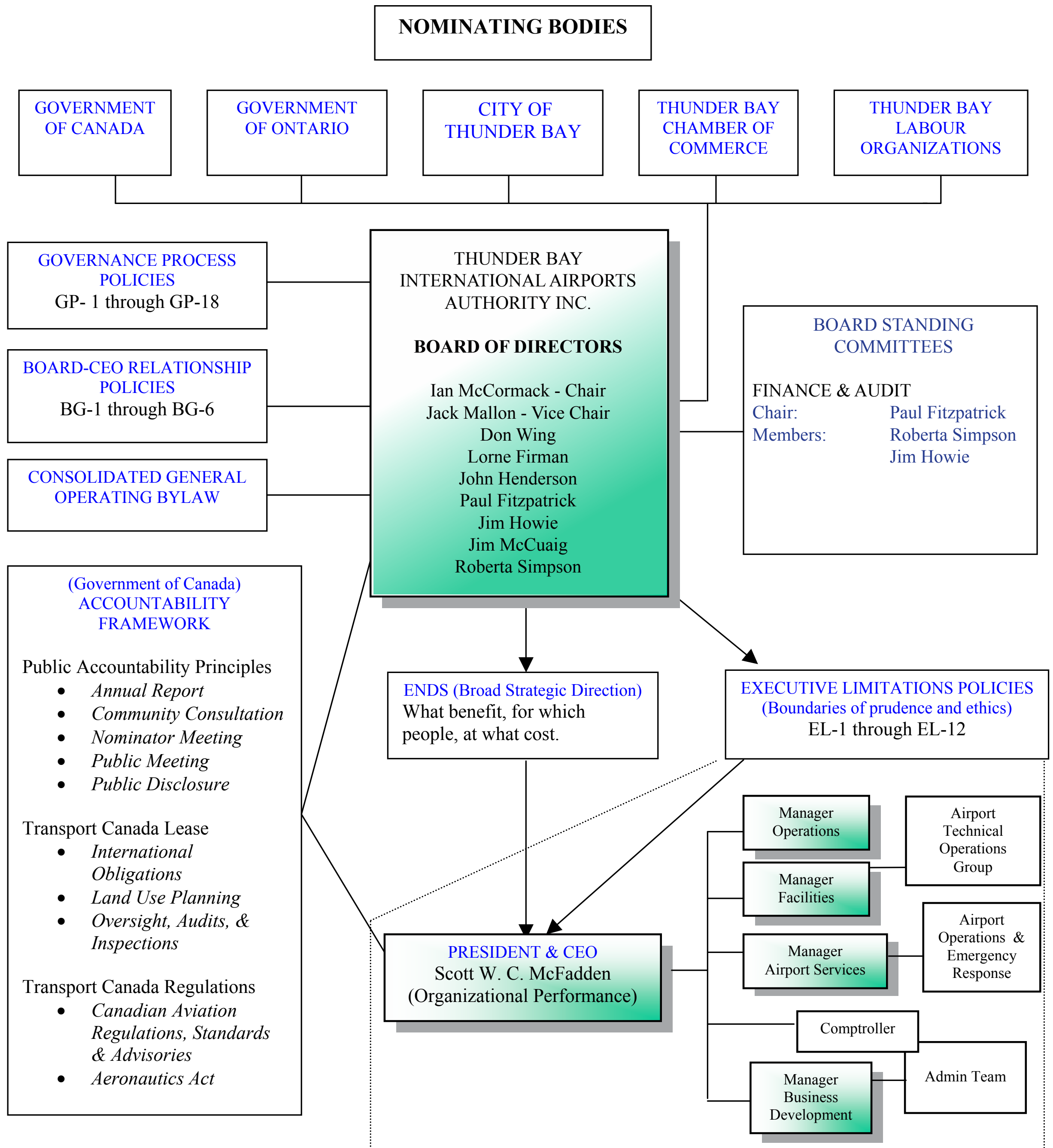
2011 ANNUAL REPORT

THUNDER BAY
International Airports Authority Inc.

Winner of the 2012
"Commitment to Quality Award"

"The Sleeping Giant watching over our Thunder Bay International Airport"

CORPORATE GOVERNANCE AND ACCOUNTABILITY FRAMEWORK



MESSAGE FROM THE CHAIR

On behalf of the Board, I am very pleased to present the Authority's Annual Report for the year 2011.
The TBIAA's focus is 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 in the region. Our airport is a key economic catalyst for Thunder Bay and Northwestern Ontario and we take a long-term view in the management and development of this important asset to our region.

In 2011 we had the busiest year ever at Thunder Bay International Airport. The airport hosted 719,500 passengers, eclipsing the 2010 volume of 691,826 which represents a 4% increase year over year. This demonstrates once again, that the airport is a critical part of our regional transportation infrastructure and thereby a significant economic enabler. As a key part of our region, the airport impacts every private and public sector organization directly or indirectly and facilitates the movement of people and commerce in and out of our region. The Board will be updating the economic impact study for the airport in 2012 and we expect the results to show that the airport contributes almost 15% of Thunder Bay's GDP representing over .5 billion dollars to our economy.

The airport is also an important part of the social fabric of our region…enabling the transport of people for healthcare, education, a full range of government services, as well as for entertainment, cultural, and vacation related travel.

In 2011, the Board continued its efforts to develop stronger linkages with the "owners" of the airport and the community of Northwestern Ontario. Our purpose for this is twofold, to provide information and an accountability report on achievements, as well as seek input from communities, business, government, customers and others, on future directions for the Airport Authority. This work is well underway and will continue throughout 2012.

The Board would like to acknowledge the 14 years of service of Andy Coffey as a Director of the TBIAA. Andy brought a high degree of passion and interest to his work as a Director. He was at all times fully committed to the TBIAA and worked with the best interests of the Airport and the broader community in mind.

We would also like to acknowledge the passing of John Erickson in 2011. As a Director and as a person, John provided the highest level of leadership, compassion, and thoughtful perspectives to all efforts undertaken by the Board in the interests of the TBIAA.

And finally, we would like to say thank you to our Airport team, our CEO and the employees, contractors, and businesses that keep the Thunder Bay International Airport operating safely and efficiently 365 days a year. We would also like to thank our customers, clients, and companies who have invested in doing business at and with the Airport in 2011.

Ian McCormack, Chair
April 22th, 2012

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TBIAA Board of Directors 2011

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.

The Board has overall responsibility for the management of the affairs of the TBIAA, and the Corporation 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 TBIAA's achievements in 2011 which included another record of just under 720,000 passengers, an increase of approximately 30,000 passengers over 2010. The busiest year ever included the busiest month ever, October, 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, the Community's critical transportation infrastructure, to benefit the economy of the region.

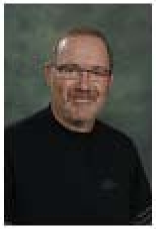
Board Membership

The Board is truly saddened to remember John Erickson who passed away in September. John's leadership, intelligence and valuable contribution to the TBIAA will be sorely missed.

The Board would like to thank Mr Andrew Coffey who completed his final of four terms on the Board in January 2011. Mr Coffey served on the Board from fall 1998, representing the City of Thunder Bay and most recently the Government of Canada. The Board would like to welcome Mr Lorne Firman and Mr John Henderson as the newly appointed Government of Canada Nominees.

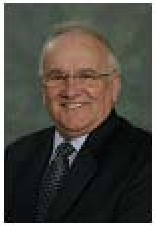
The Board also thanks Mr Don Wing who completed 6 years as Chair, arguably the most successful period in the TBIAA's history. Ian McCormack was elected Chair and Mr Jack Mallon continues as Vice Chair.


Lorne Firman


Paul Fitzpatrick


John Henderson


Jim Howie


Jack Mallon (Vice Chair)


Ian McCormack (Chair)


Jim McCuaig


Roberta Simpson


Don Wing

Board membership as of December 31st, 2011

Director	Nominated by	Term Expiry
Lorne Firman	Federal Government (Transport Canada)	October 1, 2012
Paul Fitzpatrick	Province of Ontario (Ministry of Transportation)	October 1, 2013
John Henderson	Federal Government (Transport Canada)	October 1, 2012
Jim Howie	Thunder Bay Labour	October 1, 2013
Jack Mallon (Vice Chair)	Thunder Bay Chamber of Commerce	October 1, 2012
Jim McCuaig	City of Thunder Bay	November 30, 2012
Ian McCormack (Chair)	City of Thunder Bay	November 30, 2013
Roberta Simpson	Thunder Bay Chamber of Commerce	October 1, 2013
Don Wing	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-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, 2011.

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, 2011 to Dec 31, 2011 was as follows:

Andrew Coffey	$ 5,466.68
Paul Fitzpatrick	$ 6,016.71
Jack Mallon	$18,116.71
Don Wing	$22,366.71
John Erickson	$ 6,650.03
Jim McCuaig	$15,616.71
Ian McCormack	$15,566.71
Jim Howie	$14,366.71
Roberta Simpson	$16,616.71
John Henderson	$ 1,983.34
Lorne Firman	$ 1,198.34

During 2011, 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 2011 salary for the Chief Executive Officer of the corporation was $183,872.

The TBIAA did not enter into any contracts during the fiscal year ended December 31, 2011, 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 Board has established the strategic direction for the TBIAA in the form of high level Ends policies. Management's business plans, budgets, strategic objectives, measures and milestones are designed to achieve the Ends. The Board approves the plans and budgets and monitors the performance of management against the strategic objectives, measures and milestones.

The TBIAA's Financial Statements and the Auditor's Report for the period January 01, 2011 through to December 31, 2011 are included in the annual statements section of this report.

DATED this 22nd Day of April, 2012

Ian McCormack,
Chair

Paul Fitzpatrick,
Chair, Finance & Audit Committee

TBIAA High Level Strategic Direction

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 governance 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.”

Note: The above represents a summary of the TBIAA’s business plan.

Thunder Bay International Airports Authority Annual Report

THANKS TO OUR PEOPLE

This past year brought its own blend of challenges and achievements. The response to the Terminal roof calamity that saw all aspects of our operation open for business within 10 short hours is a tremendous example of the conviction, cooperation and resolve of our TBIAA team in the face of exceptional circumstances. The meeting and exceeding our ongoing operational and business objectives may be less sensational but again demonstrates the level of professionalism and commitment of our people. A big thanks to all for a job well done.

Scott McFadden,
President and Chief Executive Officer

MANAGEMENT DISCUSSION

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 $27 million. The Airport's capital program is funded by a combination of operating cash and debt. No public funding has been received in support of capital projects including significant job stimulating infrastructure improvements such as the $7.2 million extension to the main runway and the $3.5 million groundside roads and parking redevelopment.

The Thunder Bay International Airport remains the lowest priced of Canada's national airports, and the only one with no airport improvement/passenger departure fees.

The Canadian air transportation industry creates jobs, both internal and external to the sector. These "externalities' mean the Thunder Bay International Airport is responsible for $566 million in GDP for the community, close to 5000 direct and indirect jobs and $356 million in taxes paid to three levels of government. This total is divided:

- Federal Government $194 million
- Province of Ontario $125 million
- Municipal Governments $37 million

The annual benefit of a single daily 19-seat aircraft is 33 full time jobs, $1.5 million in Labour Income and $3.73 million in GDP.

The difference in transportation policy between Canada (take cash from airports) and the US (fund airports and infrastructure) is a competitive disadvantage for Canada and Thunder Bay.

Upwards of 40,000 passengers per year drive to Duluth and Minneapolis (joining 5 million other Canadian passengers) to avoid paying the plethora of excise & regular taxes, surcharges, navigation fees, security fees and Federal Airport Rent added to or included in the price of air travel in Canada.

The loss of Thunder Bay–Minneapolis air service last year, which at one time saw three daily 30-seat aircraft, is therefore a significant economic as well as transportation loss to the community. Estimated ecomonic losses are calculated at over 99 full time jobs, $4.5 million in labour income, and over $11 million annually in lost GDP; not to mention the immeasurable impact of lost connectivity with US airlines networks.
This economic activity still exists today except it now benefits Duluth and Minneapolis.

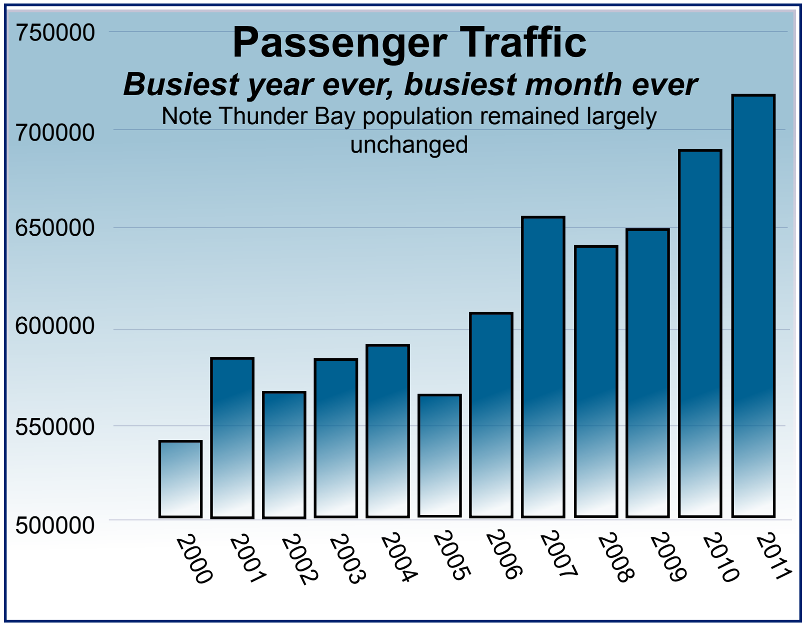
The need for Canada to refocus its air transportation policy is clear. The industry is uncompetitive and change is clearly needed. Airports are economic engines, not cash cows and government and others can help the Canadian economy, and ultimately its tax base by adopting the TBIAA's philosophy on fees, costs and continuous improvement.

Report on Operations

A record of just shy of 720,000 passengers came through the Airport in 2011 including the Airport's busiest month ever in October.

Growth is attributed to activity in the mining, health sciences, and manufacturing sectors. In addition, excellent air service options, including the biggest and best winter charter program in Thunder Bay's history, continue to stimulate the leisure travel market.

The TBIAA's business plan 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 2011, the Organization continued to pursue the Board's Ends via the 2011 Business Plan. All key plan targets were met or exceeded in 2011. The 2012 Business Plan and updated Strategic Ends Interpretation were drafted in the Fall and the 2012 budget approved. The 2012 Business Plan contemplates an economic 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 2011.

Thunder Bay continues to be well served by Air Canada Jazz, Porter Airlines, and WestJet with Bearskin Airlines and Wasaya Airways continuing to network passengers into the region and North. In addition there were more sun-spot destinations available than ever before with Sun Wing offering Veradero Cuba, WestJet to Montego Bay Jamaica, and Transat offering service to Punta Cana Dominican Republic, Varadero Cuba and Montego Bay.

Financial Results

Revenue grew by 8.6% while total operating expenses increased by 8.4% with extraordinary costs totalling approximately $130,000 skewing the results somewhat. These charges comprised of an insurance deductible for storm damage to the roof of the Terminal building, concrete recycling fees for the clean up of acquired land, and fees for design services for the TBIAA's aerospace commercial development project.

Direct Expenses decreased by 2.3% in 2011. Net income from operations was up 30% to $1.95million (including amortization of differed capital contribution) and total excess of revenues over expenses was $2.1 million or 22% of revenues.

The TBIAA generated approximately $3.6million in cash which was used to pay down debt, fund, in part, the TBIAA's capital program including completion costs from the runway extension project, Phase II of the ground transportation and parking expansion project, and the addition of a third passenger loading bridge.

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 2011 with the continuation of the parking and groundside redevelopment program, which includes the addition of new short and long term parking, new rental car parking, the relocation and reconfiguration of the main parking entrances, the addition of a new exit and a "cell phone lane."

One of the key objectives of the groundside redevelopment project is to improve customer service. Several initiatives are included to reduce congestion and improve traffic flow, as well as pedestrian safety and convenience. The "traffic calming" crosswalks have been a creative success, as has the cell phone lane. This has been combined with a step change in customer service from our front line security team. Indication is that the efforts are paying off with the number of tickets issued in 2011 plummeting to 109 from 243 in 2010.

Additional customer service improvements were also implemented for both our airline customers and passengers, the most visible of these being the addition of a third passenger loading bridge. In total the TBIAA's compliments to complaints ratio remains stellar at 0.8 (8 compliments for every 10 complaints).

We thank our customers for their continued support and appreciation of our efforts. We will continue to find new ways of improving our services. On July 20th at around 8:20pm a 30-meter section of the centre roof of the Air Terminal Building blew off during severe weather.

Thankfully no one was injured but several cars were crushed by falling debris, and the parking lot and Terminal front had to be closed temporarily while the TBIAA team performed the initial clean-up. By all accounts, from those who had witnessed the extraordinary scene following the storm, it was an amazing feat that it was "business as usual" for the next morning's departures.

The TBIAA Team also achieved a perfect record with regard to airfield up time, as there were zero cancellations due to runway conditions in 2011. This is in part due to the 2009 main runway extension, and credit goes to our operational teams for keeping airfield systems and surfaces serviceable in all weather.

Economic Development

The Board of Directors has recognized the benefits the Airport brings to Thunder Bay and the region and the need to leverage the business and geographical strength of the Thunder Bay International Airport to not only create future business growth for the TBIAA, but benefit the local and regional economies.

Several business development expansions were realised at the Airport in 2011.

SOLAR

Four years in the making, the TBIAA partnered with SkyPower Inc. in a land deal that saw Skypower invest $30million to 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 is essentially Canada's first solar-powered national airport.

HOTEL

The City of Thunder Bay approved a zoning amendment for the development of a Hilton Hampton Inn at the Airport. The project is moving forward with construction due to start in 2012.

AVIATION EXPANSION

With the growth in the mining and health sciences sectors comes demand for aviation services. In addition to additional flights and capacity added by both Porter Airlines and Air Canada, Thunder Bay aviation companies expanded in 2011 to meet the demand.

The Kelner Group, now Pilatus Centre Canada (PCC) is the Canadian distributor of the hugely successful Pilatus PC12 aircraft. In 2011, PCC completed a new fixed and rotary wing support centre including hangar, shop and office space. PCC is one of only three service centres in the world to offer 20,000 hour life extension airframe overhauls for the PC-12.

Wasaya Airways also made big steps forward in 2011, adding a second Dash8 aircraft to service Goldcorp's Musselwhite Mine, installing their own Training Centre in the former Flying Club building, and breaking ground on a new hangar complex on the south side of the airfield. Construction is scheduled to commence in earnest in the Spring of 2012.

Aviation activity was up overall with increases in aircraft, including helicopter movements and of course record passenger numbers.

TBIAA SUBSIDIARY COMPANIES

TBIAA's subsidiary companies contribute to the top and bottom lines, but also diversify our business, provide new opportunities for employees, and economic activity for TBIAA's business suppliers & partners.

TBAS Inc.

THUNDER BAY AIRPORT SERVICES

Thunder Bay Airport Services Inc. concluded its management contract with the Municipality of Greenstone after bringing the Nakina Airport up to regulatory and commercial standards.

TBAS renewed its contract with the City of Red Lake to manage the Red Lake Airport after 10 years (and 10 straight surpluses), and was happy to participate in the Grand Opening of the new Air Terminal Building in the fall.

TBAS also processed over $6 million in receivables for the Canadian Coast Guard after winning the competition to renew this contract in 2010.

Last but not least, an excellent example of how TBIAA's subsidiary companies create economic activity, 68 airport professionals travelled to Thunder Bay from across Canada to use the TBAS fire training facilities.

iFIDS.com Inc.

iFIDS.com is a 50% joint venture with Aviation Intertec Services Inc. that created the world's first internet-based flight information system and later developed "Aileron" a fully integrated aeronautical billing and lease management solution. The company continues to be successful marketing its products and service to airlines, airports, and hotels. Charlotte County Airport Authority Florida, and Freeport Bahamas became the newest foreign FIDS customers, bringing the total US/Int. customers to 11.

iFIDS.com now has airport, airline, hotel and government customers across Canada, the US and Bahamas, and is developing a new line of product enhancements and new capabilities.

SGE LTD.

The Fort McMurray Airport Authority became SGE's newest customer in 2011 with the delivery of the first of two of the most advanced airport surface maintenance vehicles in existence, the Boschung JetBroom 8000.

The second 8000 was delivered in early 2012. In addition to Fort McMurray, SGE clients now include the Greater Toronto Airport Authority, St. John's International Airports Authority, Red Lake Airport, Victoria Airport Authority and, as of early 2012, the Greater Moncton International Airport Authority

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."* TBIAA implemented its first iteration of a safety management system in 2003 and has complied with Transport Canada deadlines to document an Airport Safety Management Plan.

The key aspect of the "systems approach" to safety in the aviation sector is proactivity. Because the industry has a remarkable record on achieving safety improvements, relying on experience (reacting to incidents, accidents and occurrences) is no longer sufficient, and not necessarily even appropriate.

The TBIAA is a leader in the implementation of proactive safety measures at airports. The cornerstone of this leadership is our Airport Operations Specialist (AOS) program. The AOS methodology ensures that all airside resources are engaged in activities designed to make the Thunder Bay International Airport less likely to experience an accident.

A key part of the evolution of proactive aviation safety management is to ensure that Transport Canada is (in practice) on the same page when it comes to risk-based safety. A recent example of where this may not be the case was the proposal to require the construction of runway end safety areas (RESA). For RESA to make a different, the factors causing an incident or accident must have already occurred. If we are truly committed to improving safety through risk management, the appropriate focus must be on the factors potentially causing an accident or incident (in this case runway excursions) as opposed to costly reactive measures with no value in terms of actually preventing an accident.

Enterprise Risk Management

The philosophy of a risk-based approach to aviation safety has permeated through the TBIAA's business. The Board retained external expertise to provide "a second set of eyes" in reviewing TBIAA risks. Version number one of an enterprise risk register was developed by the Board and management.

In addition to specific risks associated with being an airport operator, the process considered risk from the business, governance and strategic perspectives.

TBIAA is in the *business* of risk management. Our continuous improvement philosophy means we are always looking for ways to improve aviation safety, public safety and occupational safety, while reducing business risk.

Community Participation

TBIAA was proud sponsor in cash or in kind of the following key Community events in 2011:

- Northwestern Ontario Innovations Centre (annual Sponsorship $40,000)
- Thunder Bay Bordercats baseball
- Thunder Bay Bluesfest.
- Special Olympics - event generated an estimated volume of 2,000 passengers and 4 additional Air Canada Airbus movements
- Lakehead Thunderwolves – Lakehead University hockey generates >1100 passengers per annum
- United Way Campaign - TBIAA & staff raise >$12,500 for the 2011 campaign
- Thunder Bay Miles with the Giant Marathon
- TBIAA Directors and employees involved in Community organizations:
  - Community Economic Development Commission,
  - Thunder Bay Chamber of Commerce,
  - Ambassadors Northwest,
  - TBaytel and others.
  - Northwestern Ontario Aviation Heritage Centre
- Motorcycle Ride for Dad
- Leadership Thunder Bay - Two TBIAAI Managers are currently active

Thanks to Our Customers

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

"Thank you" "Miigwetch" ᒥᐧᑫᒡ

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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 statement of financial position as at December 31, 2011, and the consolidated statements of operations, changes in 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 consolidatedfinancial 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Thunder Bay, Canada
March 29, 2012

Chartered Accountants
Licensed Public Accountants

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Operations

Year ended December 31	2011	2010
	$	$
REVENUE *[schedule]*	**9,493,085**	8,744,636
EXPENSES		
Direct		
Advertising and promotion	**95,855**	105,701
Benefits	**577,919**	587,162
Contracted maintenance	**398,738**	383,119
Contracted services	**498,764**	466,860
Equipment rentals	**3,002**	4,397
Federal rent	**42,877**	37,973
Interest on long-term debt	**7,553**	7,362
Materials and supplies	**502,472**	347,305
Office and administration	**62,657**	44,239
Professional and consulting fees	**276,715**	270,511
Purchased repairs	**241,840**	143,729
Salaries	**2,404,967**	2,286,876
Telephone	**32,434**	32,061
Training and meetings	**49,528**	92,263
Travel	**53,307**	56,244
Utilities	**421,466**	367,242
	5,670,094	5,233,044
Indirect		
Amortization	**1,878,001**	1,918,141
Bad debts (recovered)	**(928)**	335
Directors' fees	**122,900**	157,900
Payment in lieu of property taxes	**335,894**	346,460
Insurance	**150,215**	148,318
Interest and bank charges	**45,751**	37,606
Interest on long-term debt	**115,876**	101,951
	2,647,709	2,710,711
Total expenses	**8,317,803**	7,943,755
Earnings before the following	**1,175,282**	800,881
Realized earnings on investments	**328,515**	447,775
Fair market value adjustment	**(9,965)**	474,229
Amortization of deferred capital contributions *[note 8]*	**772,211**	703,973
Asset write-down *[note 16]*	**(189,592)**	-
Earnings of IFIDS.COM INC.	**8,854**	4,103
Excess of revenue over expenses	**2,085,305**	2,430,961

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Financial Position

As at December 31	2011	2010
	$	$
ASSETS		
Current		
Cash and cash equivalents	**663,179**	1,636,832
Accounts receivable	**975,304**	661,971
Inventory, at cost	**816,800**	79,089
Prepaid expenses and deposits	**138,148**	117,250
Current portion of net investment in direct financing lease *[note 2]*	**95,000**	95,000
Investment in IFIDS.COM INC. *[note 4]*	**4,049**	-
Total current assets	**2,692,480**	2,590,142
Property and equipment *[note 3]*	**19,310,903**	17,735,588
Other		
Investments	**15,480,231**	15,174,746
Net investment in direct financing lease *[note 2]*	**285,000**	380,000
Accrued benefit asset *[note 12]*	**802,000**	703,000
Total other assets	**16,567,231**	16,257,746
	38,570,614	36,583,476
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**2,224,577**	1,573,866
Due to the Municipality of Red Lake	**32,204**	59,509
Due to Marcel Boschung AG	**785,647**	-
Current portion of long-term debt *[note 6[a]]*	**862,784**	862,784
Deferred revenue	**95,677**	151,419
Investment in IFIDS.COM INC. *[note 4]*	**-**	4,805
Total current liabilities	**4,000,889**	2,652,383
Non-current		
Security deposits	**46,580**	24,080
Long-term debt *[note 6[a]]*	**4,294,438**	5,026,605
Deferred capital contributions *[note 8]*	**1,994,963**	2,734,674
Retirement allowance liability *[note 7]*	**424,300**	421,595
Total non-current liabilities	**6,760,281**	8,206,954
Net assets		
Investment in property and equipment *[note 9[a]]*	**12,538,718**	9,586,525
Unrestricted	**15,270,726**	16,137,614
Total net assets	**27,809,444**	25,724,139
	38,570,614	36,583,476

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director Director

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

Year ended December 31			2011	2010
	Investment in property and equipment	**Unrestricted**	**Total**	Total
	$	$	$	$
	[note 9]			
Net assets, beginning of year	**9,586,525**	**16,137,614**	**25,724,139**	23,293,178
Excess (shortfall) of revenue over expenses	**(1,308,999)**	**3,394,304**	**2,085,305**	2,430,961
Net change in investment in property and equipment	**4,261,192**	**(4,261,192)**	**-**	-
Net assets, end of year	**12,538,718**	**15,270,726**	**27,809,444**	25,724,139

See accompanying notes to the consolidated financial statements.

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

Year ended December 31	2011	2010
	$	$
OPERATING ACTIVITIES		
Excess of revenue over expenses	**2,085,305**	2,430,961
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	**1,878,001**	1,918,141
Amortization of deferred capital contributions	**(772,211)**	(703,973)
Increase in accrued benefit asset	**(99,000)**	(191,000)
Increase (decrease) in retirement allowance liability	**2,705**	(33,139)
Interest added to long-term debt	**13,617**	13,058
Fair market value adjustment	**9,965**	(474,229)
Earnings of IFIDS.COM INC.	**(8,854)**	(4,103)
Asset write-down	**189,592**	-
	3,299,120	2,955,716
Net change in non-cash working capital balances related to operations *[note 10[a]]*	**303,869**	(2,550,562)
Cash provided by operating activities	**3,602,989**	405,154
INVESTMENT ACTIVITIES		
Purchase of property and equipment *[note 10[b]]*	**(3,493,408)**	-
Purchase of investments, net	**(315,450)**	(424,308)
Cash used in investment activities	**(3,808,858)**	(424,308)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(862,784)**	(711,000)
Net proceeds from long-term debt	**-**	854,799
Repayment of direct financing lease	**95,000**	190,000
Cash provided by (used in) financing activities	**(767,784)**	333,799
Decease (increase) in cash and cash equivalents during year	**(973,653)**	314,645
Cash and cash equivalents, beginning of year	**1,636,832**	1,322,187
Cash and cash equivalents, end of year	**663,179**	1,636,832

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.
Notes to the Consolidated Financial Statements
December 31, 2011

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.

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 and 1/30 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 Operations 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 $0.9833. Monetary assets and liabilities denominated in Swiss Francs are translated using the exchange rate of 1 Swiss Franc = Canadian $1.0846.

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, 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:

	2011 $	2010 $
Total minimum lease payments	**409,396**	523,870
Unearned lease revenue	**(29,396)**	(48,870)
	380,000	475,000
Less current portion	**(95,000)**	(95,000)
Non-current portion	**285,000**	380,000

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:

	2011		2010	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Airside equipment	**3,497,255**	**828,133**	3,490,117	625,048
Computer hardware	**207,534**	**207,534**	207,534	202,797
Computer software	**464,320**	**461,883**	464,320	454,270
Land and land transfer tax	**1,031,411**	**42,872**	1,031,411	39,810
Land development costs	**3,876,627**	**865,235**	3,907,021	741,230
Leasehold improvements	**6,701,675**	**2,327,030**	4,033,129	1,998,682
Office furniture and equipment	**238,191**	**160,564**	200,501	141,381
Runway upgrades	**9,661,710**	**2,147,578**	8,982,345	1,663,251
Security upgrades	**3,183,786**	**3,024,595**	3,183,786	2,387,830
Vehicles and equipment	**2,356,115**	**1,842,297**	2,265,144	1,775,421
	31,218,624	**11,907,721**	27,765,308	10,029,720
Net book value	**19,310,903**		17,735,588	

Amortization for the year is $1,878,001 [2010 - $1,918,141].

4. INVESTMENT IN IFIDS.COM INC.

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

	2011 $	2010 $
Balance, beginning of year	**(4,805)**	(8,908)
Earnings for year	**8,854**	4,103
Balance, end of year	**4,049**	(4,805)

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

	2011 $	2010 $
Balance Sheet		
Total assets	**294,988**	233,017
Total liabilities	**389,266**	345,003
Net assets	**(94,278)**	(111,986)
Authority's share of deficit	**(47,139)**	(55,994)
Earnings Statement		
Sales	**378,500**	246,350
Cost of sales	**115,360**	34,761
	263,140	211,589
Expenses	**244,205**	203,662
Interest and other income	**(1,227)**	278
Earnings for year	**17,708**	8,205
Authority's share of net earnings	**8,854**	4,103

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.

6. LONG-TERM DEBT

[a]

	2011 $	2010 $
Ontario Ministry of Finance $360,000 interest-free loan, payable in five equal instalments commencing 2011, discounted using a 4.2% effective interest rate.	**259,626**	318,009
TD Canada Trust Term loan, repayable in monthly instalments of $27,000 plus interest and a stamping fee of 0.95% per annum [2.15% 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.	**475,000**	799,000
Term loan, repayable in monthly instalments of $10,750 plus interest and a stamping fee of 0.95% per annum [2.15% 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.	**526,750**	655,750
Term loan repayable in monthly instalments of $20,232 plus interest and a stamping fee of 0.95% per annum [2.15% 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.	**3,398,846**	3,641,630
TD Canada Trust Committed term 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% [1.20% combined at year-end]. Annual principal repayments of $95,000 for Draw #1. 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	**380,000**	475,000
Interim demand facility (multiple draw) up to a maximum of $2,808,370, interest only payments monthly at the applicable banker's acceptance rate plus a stamping fee of 0.95% [2.15% combined at year-end], maturing December 31, 2011 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.	**117,000**	-
	5,157,222	5,889,389
Less amounts included in current liabilities	**862,784**	862,784
Long-term portion	**4,294,438**	5,026,605

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

	$
2012	862,784
2013	689,784
2014	538,784
2015	538,784
2016	253,534
Thereafter	2,301,926
	5,185,596

Subsequent to year-end, the Authority signed a new credit facility agreement with TD Canada Trust to extend the repayment terms of the interim demand facility to December 31, 2012, when it will become a term loan which will be payable over 20 years.

[c] Draw #1 is 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:

	2011 $	2010 $
Balance, beginning of year	**421,595**	454,734
Expense for the year	**28,602**	31,665
Benefits paid during the year	**(25,897)**	(64,804)
Balance, end of year	**424,300**	421,595

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 Operations.

	2011 $	2010 $
Balance, beginning of year	**2,734,674**	3,438,647
Contributions received during year	**32,500**	-
Amortization	**(772,211)**	(703,973)
Balance, end of year	**1,994,963**	2,734,674

9. INVESTMENT IN PROPERTY AND EQUIPMENT

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

	2011 $	2010 $
Property and equipment at net book value	**19,310,903**	17,735,588
Amounts financed by:		
Deferred capital contributions	**(1,994,963)**	(2,734,674)
Long-term debt	**(4,777,222)**	(5,414,389)
	12,538,718	9,586,525

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

	2011 $	2010 $
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	**772,211**	703,973
Amortization of property and equipment	**(1,878,001)**	(1,918,141)
Interest added to long-term debt	**(13,617)**	(13,058)
Asset write-down	**(189,592)**	-
	(1,308,999)	(1,227,226)

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

	2011 $	2010 $
Purchase of property and equipment	**3,642,908**	1,789,831
Amounts funded by:		
Restricted contributions	**(32,500)**	-
Loan proceeds	**(117,000)**	(2,644,630)
Repayment of long-term debt	**767,784**	453,000
	4,261,192	(401,799)

10. STATEMENT OF CASH FLOWS

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

	2011 $	2010 $
Decrease (increase) in current assets		
Accounts receivable	**(313,333)**	286,096
Inventory, at cost	**(737,711)**	16,797
Prepaid expenses and deposits	**(20,898)**	92,389
	(1,071,942)	395,282
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**650,711**	(2,912,471)
Due to the Municipality of Red Lake	**(27,305)**	(43,884)
Due to the Marcel Boschung AG	**785,647**	-
Deferred revenue	**(55,742)**	10,561
Security deposits	**22,500**	(50)
	1,375,811	(2,945,844)
	303,869	(2,550,562)

[b] During the year, property and equipment were acquired at an aggregate cost of $3,642,908 [2010 - $1,789,831] of which $32,500 [2010 - $nil] were funded by restricted contributions and $117,000 [2010 - $1,789,831] were funded by means of long-term debt. Cash payments and net proceeds of disposition of $3,493,408 [2010 - $nil] 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 15 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, 2011, no assets have been transferred from Transport Canada.

Employer contributions amounted to $326,000 and employee contributions amounted to $42,000 in 2011. Benefit payments totalled $60,000 in 2011. The Authority has an accrued benefit asset of $802,000 at December 31, 2011 [2010 - $703,000].

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, 2011 were $4,650,000 and $5,357,000 respectively, leaving a deficit of $707,000.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2011 are as follows:

Discount rate	5.10%
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.

14. FINANCIAL INSTRUMENTS

[a] Fair value

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 Statement of Financial Position.

[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. ASSET WRITE-DOWN

During the year, the Authority recognized an expense related to previous costs capitalized for building design. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. Since the Authority no longer intends to make use of the design plans the full amount of the asset was expensed in 2011.

Thunder Bay International Airports Authority Inc.
Consolidated Schedule of Revenue

Year ended December 31	**2011**	2010
	$	$
Airside	**2,778,568**	2,597,092
Industrial land leases	**585,608**	626,601
Miscellaneous	**140,333**	117,450
Parking and ground transportation	**1,371,122**	1,299,582
Terminal	**3,595,604**	3,293,767
Federal rent recovery	**29,768**	20,630
	8,501,003	7,955,122
Revenue from business initiatives	**992,082**	789,514
	9,493,085	8,744,636

THUNDER BAY
International Airports Authority Inc.

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