



Atlantic Pilotage Authority

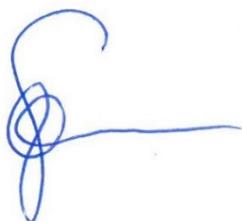
Second Quarter 2025

Interim Unaudited
Condensed Financial Statements and Notes

Management's Responsibility for Financial Reporting

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

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



Sean Griffiths
Chief Executive Officer



Brian Bradley, CPA, CGA
Chief Financial Officer

Halifax, Canada
August 6, 2025

ATLANTIC PILOTAGE AUTHORITY

Statement of Financial Position

Unaudited

(in thousands of Canadian dollars)	June 30, 2025	December 31, 2024
Assets		
Current		
Cash and cash equivalents	\$ 5,046	\$ 4,622
Trade and other receivables	4,527	4,417
Prepaid expenses	556	426
	10,129	9,465
Non-current		
Intangible assets	25	30
Property and equipment (Note 4)	23,592	24,309
	23,617	24,339
	\$ 33,746	\$ 33,804
Liabilities		
Current		
Trade and other payables	\$ 4,173	\$ 4,480
Bank loans (Note 5)	3,904	10,671
Employee severance benefits	177	207
Lease liabilities	357	351
	8,611	15,709
Non-current		
Bank loans (Note 5)	6,336	-
Employee severance benefits	1,052	1,057
Lease liabilities	731	911
	8,119	1,968
	16,730	17,677
Equity		
Retained earnings	17,016	16,127
	\$ 33,746	\$ 33,804

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

ATLANTIC PILOTAGE AUTHORITY

Statement of Comprehensive Income (Loss)

Unaudited

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Revenues				
Pilotage charges	\$ 10,987	\$ 9,121	\$ 19,373	\$ 16,992
Other income	189	35	362	53
	11,176	9,156	19,735	17,045
Expenses				
Pilots' fees, salaries and benefits	4,201	3,751	8,036	7,243
Pilot boat crews' salaries and benefits	897	776	1,961	1,549
Contracted pilot boat services	991	937	1,843	1,690
Staff salaries and benefits	755	663	1,548	1,427
Amortization and depreciation (Note 4)	665	529	1,320	999
Fuel	533	569	1,095	1,081
Repairs and maintenance	418	578	766	883
Utilities, materials and supplies	296	290	608	554
Professional and special services (Note 6)	288	200	586	344
Transportation and travel	328	283	514	488
Finance costs	114	73	230	114
Training	103	199	156	289
Rentals	61	77	102	127
Communications	51	45	81	86
	9,701	8,970	18,846	16,874
Comprehensive gain	\$ 1,475	\$ 186	\$ 889	\$ 171

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

ATLANTIC PILOTAGE AUTHORITY

Statement of Changes in Equity

Unaudited

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Retained earnings, beginning of the period	\$ 15,541	\$ 16,393	\$ 16,127	\$ 16,408
Gain for the period	1,475	186	889	171
Other comprehensive gain	-	-	-	-
Total comprehensive gain	1,475	186	889	171
Retained earnings, end of the period	\$ 17,016	\$ 16,579	\$ 17,016	\$ 16,579

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

ATLANTIC PILOTAGE AUTHORITY

Statement of Cash Flows

Unaudited

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Operating Activities				
Receipts from customers	\$ 10,424	\$ 9,149	\$ 19,168	\$ 16,752
Payments to and on behalf of employees	(5,758)	(5,093)	(11,222)	(10,248)
Payments to suppliers	(2,533)	(3,647)	(6,352)	(7,061)
Finance costs paid	(114)	(72)	(230)	(114)
Other income received	189	35	362	52
<u>Net cash from (used in) operating activities</u>	<u>2,208</u>	<u>372</u>	<u>1,726</u>	<u>(619)</u>
Investing Activities				
Proceeds of sold assets	-	-	-	124
Purchases of intangible assets	-	-	-	(1)
Purchases of property and equipment	(369)	(2,034)	(696)	(3,607)
<u>Net cash from (used in) investing activities</u>	<u>(369)</u>	<u>(2,034)</u>	<u>(696)</u>	<u>(3,484)</u>
Financing Activities				
Repayment of bank loans	(216)	(183)	(432)	(366)
Repayment of lease liabilities	(87)	(76)	(174)	(147)
<u>Net cash from (used in) financing activities</u>	<u>(303)</u>	<u>(259)</u>	<u>(606)</u>	<u>(513)</u>
Effect of exchange rate changes	-	-	-	9
Increase (decrease) in cash and cash equivalents	1,536	(1,921)	424	(4,607)
Cash and cash equivalents, beginning of the period	3,510	4,319	4,622	7,005
<u>Cash and cash equivalents, end of the period</u>	<u>\$ 5,046</u>	<u>\$ 2,398</u>	<u>\$ 5,046</u>	<u>\$ 2,398</u>

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

ATLANTIC PILOTAGE AUTHORITY

Notes to the Unaudited Financial Statements

June 30, 2025

(in thousands of Canadian dollars)

1. OBJECTIVES AND ACTIVITIES

The Atlantic Pilotage Authority (the “Authority”) was established in 1972 pursuant to the *Pilotage Act*. The principal registered address of the Authority is 1791 Barrington Street, Halifax, Nova Scotia. The objects of the Authority are to establish, operate, maintain, and administer, in the interests of safety of navigation, an efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable. Under the *Pilotage Act*, no payment to the Authority may be made under an appropriation by Parliament to discharge an obligation or liability.

The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

In July 2015, the Authority was issued a directive (PC 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference, and event expenditure policies, guidelines, and practices with the Treasury Board policies, directives, and related instruments on travel, hospitality, conference, and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Authority’s next corporate plan. The Authority finalized its implementation of this directive in July 2017. The Authority confirms that the requirements of the directive have been met.

2. ESTABLISHING OR REVISING PILOTAGE CHARGES

The approval process for establishing or revising pilotage charges is set out in the *Pilotage Act*. The Authority may, by resolution, determine the charges to be paid to the Authority for the provision of services in relation to compulsory pilotage.

To establish or revise pilotage charges, the Authority must publish a notice of the proposed charges on its website and allow any party at least 30 days to make representations about the proposal to the Authority. After considering all written representations, the Authority shall publish an announcement that sets out its decision in respect of the proposal, including the date on which it will take effect, which is not to be earlier than 60 days after the date the announcement is published.

Within 90 days of the announcement, a person who has reason to believe that the pilotage charges are not in accordance with the charging principles specified in the *Pilotage Act*, or that the Authority did not follow the proper process to establish or revise the charges, may file a notice of objection with the Canadian Transportation

Agency (CTA).

If the CTA determines that an objection is well founded, it may order the Authority to cancel the establishment or revision of the pilotage charge and to refund, with interest, each user of compulsory pilotage services the amount paid in excess of the charge in previously in effect. The CTA shall also provide the person who filed the notice of objection and the Authority with written reasons for any decision that is made and, if applicable, any decision to fix the period within which the Authority is to make a refund to a user of compulsory pilotage services.

3. ACCOUNTING POLICY INFORMATION

(a) Basis of presentation

These financial statements have been prepared by management in accordance with IAS 34 *Interim financial reporting* of the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The interim financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the annual audited financial statements of the Authority for the year ended December 31, 2024.

The interim financial statements as of June 30, 2025 were authorized for issue by the Authority's Audit Committee on August 6, 2025.

(b) Material accounting policies and managements estimates and judgements

The interim financial statements as of June 30, 2025 have been prepared in accordance with accounting policies and managements estimates and judgements outlined in Notes 3 and 4 of its audited annual financial statements as of December 31, 2024.

4. PROPERTY AND EQUIPMENT

As at 30 June 2025	Pilot boat		Pilot boat generators	Pilot boat engines	Pilot boat inspections	Wharves and structures	Furniture and equipment	Leasehold improvements	Right-of-use assets	Total
	hulls and structures	Pilot boat equipment								
Cost, beginning of the year	\$ 20,944	\$ 6,576	\$ 705	\$ 5,290	\$ 389	\$ 1,829	\$ 1,006	\$ 854	\$ 2,845	\$ 40,438
Additions, year to date	16	170	10	306	-	12	79	25	-	618
Disposals, year to date	(8)	(70)	-	(116)	-	(5)	(11)	-	-	(210)
Cost, end of the quarter	20,952	6,676	715	5,480	389	1,836	1,074	879	2,845	40,846
Accumulated depreciation, beginning of the year	(6,267)	(3,928)	(282)	(2,101)	(183)	(536)	(750)	(367)	(1,715)	(16,129)
Depreciation of disposals, year to date	8	49	-	116	-	5	12	-	-	190
Depreciation, year to date	(461)	(201)	(23)	(281)	(41)	(39)	(40)	(69)	(160)	(1,315)
Accumulated depreciation, end of the quarter	\$ (6,720)	\$ (4,080)	\$ (305)	\$ (2,266)	\$ (224)	\$ (570)	\$ (778)	\$ (436)	\$ (1,875)	\$ (17,254)
Carrying amount, end of the quarter	\$ 14,232	\$ 2,596	\$ 410	\$ 3,214	\$ 165	\$ 1,266	\$ 296	\$ 443	\$ 970	\$ 23,592

As at 31 December 2024	Pilot boat		Pilot boat generators	Pilot boat engines	Pilot boat inspections	Pilot boats under construction	Wharves and structures	Furniture and equipment	Leasehold improvements	Right-of-use assets	Total
	hulls and structures	Pilot boat equipment									
Cost, beginning of the year	\$ 15,395	\$ 6,426	\$ 664	\$ 4,083	\$ 516	\$ 6,734	\$ 1,641	\$ 996	\$ 758	\$ 2,791	\$ 40,004
Additions	3,895	636	82	1,004	33	-	302	82	110	95	6,239
Transfer from pilot boats under construction	4,751	885	130	968	-	(6,734)	-	-	-	-	-
Disposals	(3,097)	(1,371)	(171)	(765)	(160)	-	(114)	(72)	(14)	(41)	(5,805)
Cost, end of the year	20,944	6,576	705	5,290	389	-	1,829	1,006	854	2,845	40,438
Accumulated depreciation, beginning of the year	(6,824)	(4,500)	(389)	(2,246)	(256)	-	(551)	(735)	(237)	(1,435)	(17,173)
Depreciation of disposals during the year	1,388	965	149	610	153	-	82	72	5	41	3,465
Depreciation for the year	(831)	(393)	(42)	(465)	(80)	-	(67)	(87)	(135)	(321)	(2,421)
Accumulated depreciation, end of the year	(6,267)	(3,928)	(282)	(2,101)	(183)	-	(536)	(750)	(367)	(1,715)	(16,129)
Carrying amount, end of the year	\$ 14,677	\$ 2,648	\$ 423	\$ 3,189	\$ 206	\$ -	\$ 1,293	\$ 256	\$ 487	\$ 1,130	\$ 24,309

There is no impairment of property and equipment at the end of the first six months of 2025 (2024 – nil).

5. BANK LOANS

The Authority's outstanding bank loans at quarter end are:

	Q2 2025	2024
Non-revolving term facility, payable in monthly instalments including interest at 4.90%, amortized over 15 years, term ending on May 10, 2026, unsecured.	1,803	1,853
Non-revolving term facility, payable in monthly instalments including interest at 3.71%, amortized over 15 years, term ending on April 21, 2027, unsecured.	4,997	5,164
Non-revolving term facility, payable in monthly instalments including interest at 3.68%, amortized over 15 years, term ending on April 21, 2027, unsecured.	1,445	1,537
Non-revolving term demand facility, payable in monthly instalments of principle plus interest at 4.14%, amortized over 15 years, term ending on September 30, 2027, unsecured.	1,417	1,466
Non-revolving term facility, payable in monthly instalments including interest at 4.87%, amortized over 5 years, term ending on January 14, 2029, unsecured.	578	651
	\$ 10,240	\$ 10,671
Current portion	\$ 3,904	\$ 10,671
Non-current portion	6,336	-
	\$ 10,240	\$ 10,671

During the first six months of 2025 and 2024, all the Authority's bank loans are subject to covenants. The nature of the covenants requires the Authority, among other things, to maintain operations under current mandate while complying with legislative authorities. Any material change to operations must be disclosed to the lender. During the first six months, no breaches occurred. In 2024, one breach occurred and a waiver was obtained from a lender after the financial reporting period but before the financial statements were authorized for issue. Loan maturity analysis is disclosed in Note 7.

6. RELATED PARTY TRANSACTIONS

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Authority enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. The majority of these transactions are not of significance and do not have a material effect on these financial statements.

The Authority entered into an arrangement with Transport Canada beginning April 1, 2020 for the provision of regulatory services and expertise. This is an on-going

arrangement subject to review every 10 years. The costs incurred are included in the statement of comprehensive income (loss) for the six-months ended with \$211 (2024 – \$120) under professional and special services.

7. COMMITMENTS

No new material contracts were entered into during the first six months of 2025. In the past, the Authority has entered into contracts for bank loans, leased office space, pilot boat services, software development and maintenance, and support for weather buoy operations requiring the following minimum payments:

As at June 30, 2025	Operational commitments	Loan commitments	Lease commitments
Remaining of 2025	\$ 1,561	\$ 642	\$ 193
2026-2029	344	10,253	836
2030-2035	227	-	126
	\$ 2,132	\$ 10,895	\$ 1,155

Second Quarter 2025

Management's Discussion and Analysis

August 6, 2025

TRAFFIC REVIEW AND ANALYSIS

Assignments

Pilotage Area	Actual Traffic through through 2nd Qtr 2024	Actual Traffic through through 2nd Qtr 2025	Variance from 2024	Percentage Variance from 2024
Halifax	1,330	1,307	-23	-2%
Saint John	976	922	-54	-6%
Placentia Bay	438	642	204	47%
Canso	283	343	60	21%
St. John's	311	180	-131	-42%
Sydney	122	94	-28	-23%
Other Newfoundland	146	163	17	12%
Other Compulsory	179	185	6	3%
Total	3,785	3,836	51	1.3%

Revenue (in thousands of Canadian dollars)

Pilotage Area	Actual Revenues through 2nd Qtr 2024	Actual Revenues through 2nd Qtr 2025	Variance from 2024	Percentage Variance 2024
Halifax	4,563	4,822	259	6%
Saint John	3,708	3,908	200	5%
Placentia Bay	3,926	5,820	1894	48%
Canso	1,558	2,051	493	32%
St. John's	1,110	719	-390	-35%
Sydney	612	520	-92	-15%
Other Newfoundland	879	949	70	8%
Other Compulsory	453	567	114	25%
Total	16,808	19,356	2548	15.2%

The following discussion regarding the amount of activity in individual ports refers to pilotage assignments only, and not the level of cargo or vessel traffic experienced by a port. There are several factors that may result in a difference between the activity reported by the Authority and that reported by another body such as a port authority. These factors include ships not subject to compulsory pilotage, ships utilizing mariners who have pilotage certificates, and the amount of cargo carried on a ship. The Authority reports on pilotage assignments performed by its pilots but does not track the amount of cargo being carried on a vessel.

Overall, pilotage assignment traffic levels are above 2024's pace by 1.3% for the first six months of 2025 and pilotage revenue has increased by 15.2% when compared to the same period in 2024.

Traffic in Halifax, NS has decreased by 2% from the previous year. A decline in piloted container movements and bulk carrier traffic has been mostly offset by increased piloted assignments on general cargo vessels as well as tugs and barges.

In Saint John, NB, pilotage activity has decreased by 6% from 2024 with pilotage revenues for the

port increasing by 5%. Bulk carrier traffic declined as maintenance was being completed at a potash facility while LNG vessel traffic has increased.

Pilotage traffic in Placentia Bay, NL has increased by 47% and revenues have increased 48% from 2024 levels. Tanker traffic has increased by 46% at Whiffen Head due to the increased need for transfers via ship-to-ship. Tanker traffic has decreased by 63% at Come-by-Chance due to a shutdown at the refinery that is expected to be temporary. Also, there was an increase in dredging activity in Argentia along with the float of the Gravity base structure drilling rig to Grand Banks, NL.

In the Strait of Canso, NS, tanker traffic has increased when compared to the same period of 2024 and bulk carrier movements have increased compared to the previous year. Overall, the piloted activity in the port has increased by 21% with the related revenue increasing 32% through June 2025.

FINANCIAL AND STATISTICAL REVIEW

Overall, traffic has increased by 1.3% from 2024 levels through June 2025, with total revenues increasing by 15.2%. Revenues have increased due to rate increases, and higher levels of activity, specifically in Placentia Bay, NL.

Salaries, fees, and benefits through June 2025 increased from the same period in 2024 due to the additional hiring of FTEs, the third crew manning requirement on certain boats and the related employment costs. Pilot salary and benefits have grown with increase in salaries and overtime costs. Other costs that have increased include the amortization of vessels as new vessels are now in operation.

The Authority had a gain at the end of the second quarter of \$889,000 (gain of \$171,000 in 2024). A loss of \$648,000 was expected to this point in the year.

CUSTOMER COMPLAINTS AND LEVEL OF SERVICE

The Authority has a structured methodology for handling complaints. The mechanism is designed to be as user friendly as possible, and the goal of the Authority is to ensure that timely feedback is provided to the complainant. The most common reason for a complaint to be submitted is due to a delay in an assignment. In some cases, the delay is caused by factors beyond the control of the Authority, such as weather or delays caused by the non-availability of port services such as tugs.

The Authority received 17 complaints out of a total of 3,836 assignments through June 30, 2025. For the same period of 2024, there were 8 complaints received out of 3,785 assignments. Most of the complaints were for the Placentia Bay area due to the increase in traffic in this port putting a strain on resources. The other complaints were registered in Halifax due to pilot availability. The Authority has been actively trying to increase resources and mitigate these constraints.

Through June 2025 the Authority has had 1 shipping incident. There was 1 incident reported at this point in 2024.

RISK ANALYSIS

The major financial risk faced by the Authority is the variability of traffic in major ports. The Authority does not control or influence the activity in each port. Variations in the number of ships, or the average ship size, from the budget may result in a positive or negative result.

The Authority had an increase in tanker traffic in Placentia Bay, NL. An increase in certificated masters is having a significant impact on traffic in various ports with this effect expected to grow, leading to reduced revenues.

The negotiation of a new contractual model for the Halifax pilots is also increasing uncertainty and risk for future years.

TRAVEL, HOSPITALITY, AND CONFERENCE EXPENSES

The Atlantic Pilotage Authority's area of operation is defined as all the Canadian waters in and around the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, including the waters of Chaleur Bay in the Province of Quebec. Within this region, the Authority has designated 20 compulsory pilotage areas. Each one has its unique industries and are serviced by licensed pilots and the required infrastructure such as pilot boat services.

Conducting regular pilotage operations requires travel to be conducted by the Authority's pilots and boat crew. These costs are recovered directly from the customers for whom the services were delivered. Travel costs are also incurred for training of operational personnel as much of the training is done in Europe and Quebec City. These costs are included in the Authority's training budget. Included in the Pilot boats, operating costs category of the Authority's financial statements are travel costs associated with vessel maintenance personnel performing their regular duties.

Travel of pilotage authority board and management representatives is required to meet the needs of stakeholders in each area and manage the Authority's resources effectively. Periodic travel outside of the Authority's area of operation is also required to meet with Government representatives, industry associations, and the other pilotage authorities. Conferences include port specific marine business conferences and pilotage specific conferences. Board travel costs are captured with all other Board costs under Professional and special services in the Authority's financial statements.

The table below shows the travel, hospitality, and conference expenses for operations, and for administrative employees and the Board.

Travel, Hospitality, and Conference Expenses

As at June 30

(in thousands of Canadian dollars)

	2025	2024
Operations	364	386
Training	20	83
Engineering	3	12
Total Operational Travel	387	481
Administration	72	103
Board	2	29
Total Administration Travel	74	132
Hospitality	7	4
Conference Fees	6	3
Total Hospitality and Conference Expenses	13	7
Total Travel, Hospitality, and Conference Expenses	474	620

KEY PERFORMANCE INDICATORS

Corporate Objective	Indicator	2025 Q2 Actual	2025 Year-end Target	2024 Annual Actual
Operational Excellence - Operational excellence, efficiency and sustainability with priority and focus on the protection of people, property and the environment.	% of incident-free assignments	99.97%	99.95%	99.97%
	% of assignments without complaint	99.56%	99.75%	99.71%
	% of assignments without 1+ hour pilotage delay	97.94%	99.00%	97.82%
	Number of work related injuries	2	0	2
	% of customers who reported that they are satisfied with the Authority's commitment to safety as registered through the annual customer survey process	-	100%	98%
	Delays caused by unplanned pilot boat maintenance issues	3	0	3
	Total downtime caused by unplanned maintenance as a % of time available	-	1.00%	1.42%
	% of customers who reported that they are satisfied with the efficiency of marine pilotage services provided by the Authority as registered through the annual customer survey process	-	80%	78%
Future Readiness - Organizational readiness for industry transformation and development; with a special focus on innovation, technology, environmental stewardship and new competencies.	Formal Consultation Meetings	6	15	21
	Short-term borrowing (\$ 000's)	\$ -	\$ -	\$ -
	Profit Before Loss on Disposal of Assets (\$ 000's)	\$ 889	\$ 2,200	\$ 807
	Operating Cash on Hand (\$ 000's)	\$ 5,046	\$ 4,500	\$ 4,122
	Accumulated Savings (\$ 000's) Severance	\$ -	\$ -	\$ 500
	Accumulated Savings (\$ 000's) Capital	\$ -	\$ -	\$ -
	New pilots hired	4	3	3
Number of environmental spills or damages related to pilot boat operations	0	0	0	