Management's Discussion & Analysis
of
Financial Condition
and
Results of Operations

For the three and nine months ended December 31, 2009
Dated January 29, 2010

BCFerries

Table of Contents

Management's Discussion & Analysis
of Financial Condition and Results of Operations
For the three and nine months ended December 31, 2009
Dated January 29, 2010

The following is our discussion and analysis of the financial condition and results of operations for British Columbia Ferry Services Inc. as of December 31, 2009. This should be read in conjunction with our unaudited interim consolidated financial statements and related notes for the three and nine month periods ended December 31, 2009 and 2008, and our annual audited consolidated financial statements and related notes together with our fiscal 2009 Management's Discussion & Analysis. These documents are available on our Investor webpage at http://www.bcferries.com/about/investors/index.html and on SEDAR at www.sedar.com.

Except where indicated, all financial information herein is expressed in Canadian dollars and determined on the basis of Canadian generally accepted accounting principles.

BUSINESS OVERVIEW

British Columbia Ferry Services Inc. is an independent company providing ferry services on the west coast of British Columbia. We operate one of the largest and most complex ferry systems in the world, providing frequent year-round transportation service on 25 routes, supported by 36 vessels and 47 terminals. Our service is an integral part of British Columbia's coastal transportation system and has been designated by the Province of British Columbia (the Province) as an essential service for purposes of the provincial Labour Relations Code. This designation means our services are considered necessary for the protection of the health, safety and welfare of the residents of British Columbia.

We are a versatile company, providing a wide range of ferry services for our customers. During the three months ended December 31, 2009 (the third quarter of fiscal 2010), we provided over 45,000 sailings, carrying 4.4 million passengers and 1.8 million vehicles.

Our traffic levels have historically been relatively stable. However, the recent decrease in global economic activity, the lower level of international tourism, and higher level of unemployment have negatively impacted discretionary travel. During fiscal 2009, vehicle and passenger traffic were lower than the prior year by 5.2% and 4.9%, respectively. In the first quarter of fiscal 2010, we experienced a further decline of 1.0% in vehicle traffic and 0.4% in passenger traffic as compared to the same period in the prior year.

The three months ended December 31, 2009, is the second consecutive quarter of improvement in both vehicle and passenger traffic over the same periods in the prior year, with increases of 4.2% and 2.8%, respectively. For the nine months ended December 31, 2009, vehicle traffic was 2.5% higher and passenger traffic was 1.3% higher than the first nine months of fiscal 2009.

In March 2009, we launched our drop-trailer service. We now offer a new service to commercial customers on two of our Major Routes. Our commercial customers on these routes can now drop their trailers off at one terminal and pick them up at another. This drop-trailer service has been well received in the commercial market and improves our overall productivity by utilizing otherwise unused capacity.

We continue to review and update our financial and operating plans in response to current economic conditions. Over the near term, we anticipate the limited recovery in local discretionary traffic levels to continue. We also expect commercial traffic to improve as we gain market share with our new drop-trailer service and as the economy continues to recover.

We continue to assess the feasibility of enhancing our northern service to Prince Rupert by commencing periodic service from our Tsawwassen terminal on the Lower Mainland to our Port Hardy terminal on Vancouver Island, with the objective of increasing tourism and providing a new service to our existing customers. We are currently consulting with governments, communities, businesses and the travel and tourism sector.

We are continuing to review the feasibility of using cable ferry technology on one of our shortest routes with the expectation that this review will be complete in fiscal 2011. This initiative is part of our ongoing efforts to identify and pursue opportunities that have the potential to enhance our effectiveness in delivering safe, reliable, and quality ferry service. Cable ferry technology uses small engines in combination with drive and guide cables to move the vessel. Not only do cable ferries have a lower capital cost than conventional ferries, but there is also potential for a reduction in operating costs.

We issued a Request for Proposal in June 2009 to identify prospective alternative service providers (ASP) to provide service to the mid-coast ports of Ocean Falls and Shearwater on our Northern Routes. We performed an assessment of the responses received from the proponents and concluded that an ASP could provide the service on a more cost-effective basis. However, the Province was not in a position to confirm that we could proceed as per the Coastal Ferry Services Contract. Consequently, we cancelled this ASP initiative. We will continue to be the provider of service to these ports, which is called for under the Coastal Ferry Services Contract.

In July 2009, the Province announced that it was launching a review of the operations of certain independent agencies, including British Columbia Ferry Services Inc. The Comptroller General’s report was released November 6, 2009 and made a number of recommendations to the Province on governance. The timing of a decision by the Province on the recommendations contained in the report is uncertain.

In December 2009, the Province and First Nations signed the Coastal Reconciliation Protocol. This protocol includes $25 million in funding from the federal and provincial governments, which will be used by the Province to build a new, larger ferry terminal at Klemtu, an isolated community 200 kilometres north of Vancouver Island. This new terminal will be able to accommodate the *Northern Expedition*, which cannot utilize the current facility. The new terminal is expected to be completed by March 31, 2011.

Significant events during or subsequent to our third quarter of fiscal 2010:

- On December 1, 2009, we opened new self-ticketing kiosks at two of our major terminals. The self-ticketing system is designed to simplify and speed up the foot passenger ticketing process. Customers now have the option of using a self-ticketing machine or purchasing a ticket from a ticket agent.

- On December 14, 2009, we were advised by the credit rating agency DBRS that they have upgraded our long-term debt rating from A (low) to A. DBRS acknowledged our tight management of service offerings and expenses as an important factor contributing to this upgrade.

- On December 15, 2009, we released the results of our August 2009 Customer Satisfaction Tracking Survey indicating that 92% of customers report being satisfied with their overall trip experience.

- On January 25, 2010, fuel rebates were reduced from 10% to 5% on average on many of our routes due to higher fuel prices. Fuel rebates are not currently in place on our Major and Northern Routes.

FINANCIAL AND OPERATIONAL OVERVIEW

This section provides an overview of our financial and operational performance for the three and nine months ended December 31, 2009 and 2008.

($ millions)	Three months ended December 31			Nine months ended December 31		
	2009	**2008**	**Variance**	**2009**	**2008**	**Variance**
Total revenue	159.9	149.4	10.5	590.0	553.4	36.6
Expenses	(161.8)	(151.1)	(10.7)	(498.2)	(470.5)	(27.7)
(Loss) earnings from operations	(1.9)	(1.7)	(0.2)	91.8	82.9	8.9
Interest and other	(18.5)	(12.9)	(5.6)	(51.6)	(35.4)	(16.2)
Net (loss) earnings and comprehensive (loss) income	(20.4)	(14.6)	(5.8)	40.2	47.5	(7.3)

Our quarterly results are affected by the seasonality of leisure travel patterns. The second quarter, covering the summer period, experiences the highest traffic levels and the highest earnings of the year. The third and fourth quarters reflect a seasonal downturn in traffic and we utilize these off-peak periods to perform upgrades and major maintenance and refit programs, as well as to undertake mandatory inspections on the majority of our vessels.

In the three months ended December 31, 2009, our net loss was $20.4 million, $5.8 million greater than for the three months ended December 31, 2008. In the nine months ended December 31, 2009, earnings from operations were $91.8 million, an increase of $8.9 million. Net earnings for the same period were $40.2 million, $7.3 million lower than in the prior year.

For the second consecutive quarter, our ridership improved over the same periods in the prior year. In the third quarter, traffic increased 4.2% for vehicles and 2.8% for passengers. During the nine months ended December 31, 2009, our ridership was 2.5% higher for vehicles and 1.3% higher for passengers compared to the same period of the prior year.

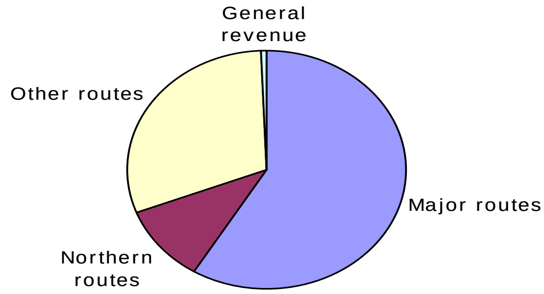
As expected, costs of amortization and financing increased significantly as a result of new capital assets entering service, completing this phase of our fleet and asset renewal program for our Major and Northern Routes.

We have now completed the first phase of our SailSafe program, which is a partnership initiative with the BC Ferry & Marine Workers' Union to achieve world class safety performance. We implemented more than 90% of the 48 action items identified to be completed in the first phase, with the balance deliberately carried forward into subsequent phases. We have seen significant improvements in overall safety performance. The number of lost time injuries was down 25% and work days lost to injury were down 36% for the period January through December 2009, compared to the same period in the prior year. The next phase will focus on continuously improving and sustaining our safety performance while addressing 36 additional recommendations from the original action plan.

Revenue

Our total revenues for the three and nine months ended December 31, 2009, increased over the same periods in the previous year as shown in the table below.

In the nine months ended December 31, 2009, the greatest portion of our revenues, 58%, was earned on our three Major Routes connecting Vancouver Island to Vancouver and the Lower Mainland. The revenue from the Northern Routes contributed 11% and Other Routes contributed 30%.



Revenue ($ millions)	**Three months ended December 31** 2009	2008	Increase (Decrease)	**Nine months ended December 31** 2009	2008	Increase (Decrease)
Direct Route Revenue						
Vehicle traffic (volume)	1,828,075	1,754,577	73,498	6,666,534	6,501,730	164,804
Vehicle tariff	61.5	57.9	3.6	227.8	219.2	8.6
Passenger traffic (volume)	4,443,746	4,320,847	122,899	17,079,855	16,857,322	222,533
Passenger tariff	35.3	33.7	1.6	138.4	132.4	6.0
Social program fees	5.5	4.8	0.7	17.2	16.2	1.0
Catering & on-board	16.4	16.3	0.1	63.6	62.1	1.5
Other revenue	5.2	4.5	0.7	19.2	17.8	1.4
Total Direct Route Revenue	123.9	117.2	6.7	466.2	447.7	18.5
Indirect Route Revenue						
Ferry transportation fees	28.2	24.3	3.9	100.3	82.4	17.9
Federal-Provincial subsidy	6.7	6.6	0.1	20.2	19.7	0.5
Total Route Revenue	158.8	148.1	10.7	586.7	549.8	36.9
Other general revenue	1.1	1.3	(0.2)	3.3	3.5	(0.2)
Total Revenue	159.9	149.4	10.5	590.0	553.3	36.7

Our largest revenue source is vehicle and passenger tariffs. Effective April 1, 2009, the British Columbia Ferries Commissioner (the Commissioner) authorized a price cap increase of 3.74% on the Major Routes and 7.25% on all other routes. In response, we implemented tariff increases up to the new level authorized. On each subsequent April 1 of the four-year performance term ending March 31, 2012, the Major Route price cap will increase by 2.7% plus 0.49 times the Consumer Price Index (CPI) for British Columbia. On the other routes, the price cap will increase by 5.7% plus 0.73 times the British Columbia CPI. As CPI is near zero for the purposes of this calculation, we anticipate price cap increases on April 1, 2010 of approximately 2.7% on our Major Routes and 5.7% on our other routes.

From time to time, we utilize promotional fares designed to stimulate growth in traffic or to direct traffic towards our less busy sailings. In calculating the price cap, vehicle and passenger tariffs are combined. The utilization of promotional fare incentives and the adjustments resulting from being over or under the price cap in previous periods may cause the average vehicle and passenger tariff rate to vary from the allowed increase in any one period.

At April 1, 2009, fuel rebates of up to 5% of tariffs were in place reducing fares on routes other than our Major and Northern Routes. As a result of fluctuations in fuel prices, average rebates on these routes were increased to 8% on July 15, 2009, and to 10% on September 1, 2009, before being reduced to 5% on January 25, 2010. No rebates are in place on our Major and Northern Routes.

Year to year changes for the three and nine months ended December 31 for the Major, Northern, and Other Routes are discussed separately below.

Major Routes

Direct Route Revenue ($ thousands)	**Three months ended December 31**			**Nine months ended December 31**		
	2009	**2008**	**Increase (Decrease)**	**2009**	**2008**	**Increase (Decrease)**
Vehicle traffic (volume)	808,563	790,895	17,668	3,062,400	2,984,949	77,451
Vehicle tariff	46,456	44,706	1,750	168,938	165,033	3,905
Passenger traffic (volume)	2,238,134	2,208,678	29,456	8,836,913	8,762,673	74,240
Passenger tariff	26,519	25,678	841	99,372	96,898	2,474
Social program fees	2,689	2,407	282	8,439	8,190	249
Catering & on-board	13,575	13,657	(82)	51,103	50,190	913
Reservation fees	2,759	2,496	263	10,329	10,318	11
Parking	831	743	88	2,728	2,629	99
Assured loading	593	435	158	1,999	1,616	383
Other revenue	670	536	134	2,391	1,609	782
Total Direct Route Revenue	94,092	90,658	3,434	345,299	336,483	8,816

Our Major Routes consist of three regulated routes connecting Greater Vancouver with mid and southern Vancouver Island.

Both vehicle traffic and passenger traffic increased in the three and nine months ended December 31, 2009, compared to the same periods in the previous year. The increase in vehicle traffic in the third quarter was 2.2% (2.6% year-to-date) while the increase in passenger traffic was 1.3% (0.8% year-to-date). The increase in average tariff yield per vehicle in the third quarter was $0.93 or 1.6% ($0.12 or 0.2% decrease year-to-date). The improvement in average yield and the increase in traffic resulted in a $1.8 million ($3.9 million year-to-date) increase in vehicle tariff revenue. The increase in average tariff yield per passenger in the third quarter was $0.22 or 1.9% ($0.19 or 1.7% year-to-date). The increase in passenger traffic and average yield resulted in a $0.8 million ($2.5 million year-to-date) increase in passenger tariff revenue.

Social program fees are reimbursements we receive from the Province for discounts that are provided on fares to BC seniors, students travelling to and from school, persons with disabilities, and persons travelling under the Medical Travel Assistance Program. These fees were higher in the first and third quarters and lower in the second quarter of fiscal 2010, compared to the same periods in the prior year largely as a result of the timing of promotional fare incentives.

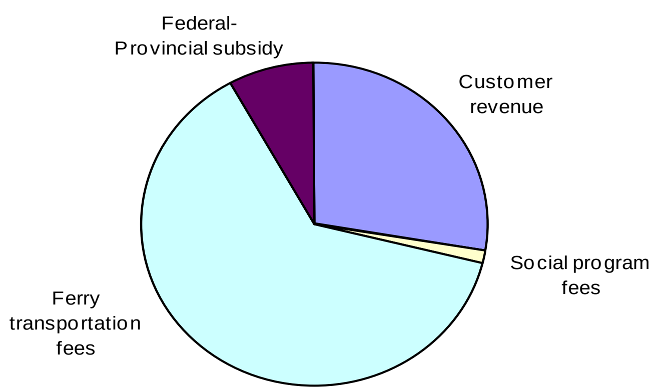
All of our vessels that provide service on our Major Routes have a gift shop and options for food service. In the three months ended December 31, 2009, revenue from food sales declined 0.8% from the same period of the prior year. This was mainly offset by a 2.3% increase in revenue from giftshop sales.

Fees for assured loading, reservations, and parking revenue increased in the third quarter as a result of higher traffic levels. The increase in other revenue is mainly due to the timing of receipt of monthly retail rebates from a major sponsorship contract signed in the last quarter of fiscal 2009, and fees received from the Departure Bay Quay which opened in July 2008.

Northern Routes

Direct Route Revenue ($ thousands)	**Three months ended December 31**			**Nine months ended December 31**		
	2009	**2008**	**Increase (Decrease)**	**2009**	**2008**	**Increase (Decrease)**
Vehicle traffic (volume)	4,326	4,218	108	27,678	28,341	(663)
Vehicle tariff	887	845	42	7,281	7,546	(265)
Passenger traffic (volume)	10,171	9,934	237	79,142	84,627	(5,485)
Passenger tariff	505	483	22	6,652	6,834	(182)
Social program fees	190	148	42	732	548	184
Catering & on-board	168	162	6	2,236	2,093	143
Reservation fees	9	11	(2)	49	58	(9)
Stateroom rental	177	83	94	909	711	198
Hostling[1] & other	40	42	(2)	149	157	(8)
Total Direct Route Revenue	1,976	1,774	202	18,008	17,947	61
Indirect Route Revenue						
Ferry transportation fees	8,362	4,438	3,924	39,444	20,602	18,842
Federal-Provincial subsidy	1,665	1,625	40	4,995	4,878	117
Total Route Revenue	12,003	7,837	4,166	62,447	43,427	19,020

Our Northern Routes consist of three regulated routes operating on the British Columbia coast north of Port Hardy on Vancouver Island.



In the nine months ended December 31, 2009, revenue from our Northern Routes consisted of 28% from customers and 72% from the Province (1% social program fees, 63% ferry transportation fees, and 8% from payments under the Federal-Provincial subsidy agreement).

[1] Loading and unloading of commercial trailers that are dropped off for transportation on a ferry route.

Both vehicle and passenger traffic increased in the three months ended December 31, 2009, compared to the prior year. However, the traffic for the nine months ended December 31, 2009 remains lower than the previous year. The increase in vehicle traffic in the third quarter was 2.6% (2.3% decrease year-to-date) while the increase in passenger traffic was 2.4% (6.5% decrease year-to-date).The increase in average tariff yield per vehicle in the third quarter was $4.71 or 2.3% ($3.20 or 1.2% decrease year-to-date). This reflects a small improvement in the third quarter in commercial vehicle traffic which carries higher individual fares. The increase in average tariff yield per passenger in the third quarter was $1.03 or 2.1% ($3.30 or 4.1% year-to-date). The increase in traffic and average yields in the third quarter resulted in an increase of $0.1 million ($0.4 million decrease year-to-date) in tariff revenue.

Reimbursements from the Province for social program fees increased as a result of higher usage and higher average fares. The year-to-date increase in catering and on-board revenue is a result of a higher average passenger spend reflecting the entry into service of the new *Northern Expedition*, partially offset by lower traffic levels. Stateroom rental revenue has increased as a result of higher usage.

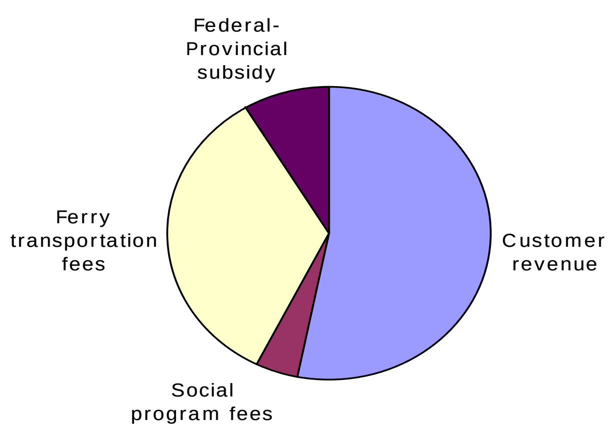
We receive ferry transportation fees for these routes under the Coastal Ferry Services Contract, which relate, in part, to the capital cost of the vessels serving these routes. The fees have increased as a result of the capital cost of the new *Northern Expedition*, which commenced operating on our northern route through the Inside Passage from Port Hardy to Prince Rupert on May 18, 2009. The annual ferry transportation fees this fiscal year are expected to increase $22.3 million or 88.2% to a total of $47.6 million.

The total Federal-Provincial subsidy has increased by the Vancouver CPI.

Other Routes

Direct Route Revenue ($ thousands)	Three months ended December 31			Nine months ended December 31		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Vehicle traffic (volume)	1,015,186	959,464	55,722	3,576,456	3,488,440	88,016
Vehicle tariff	14,111	12,423	1,688	51,572	46,666	4,906
Passenger traffic (volume)	2,195,441	2,102,235	93,206	8,163,800	8,010,022	153,778
Passenger tariff	8,312	7,475	837	32,356	28,623	3,733
Social program fees	2,547	2,228	319	7,996	7,452	544
Catering & on-board	2,481	2,393	88	9,318	9,097	221
Reservation fees	198	176	22	1,233	1,102	131
Parking & other	121	92	29	372	345	27
Total Direct Route Revenue	27,770	24,787	2,983	102,847	93,285	9,562
Indirect Route Revenue						
Ferry transportation fees	19,826	19,869	(43)	60,851	61,757	(906)
Federal-Provincial subsidy	5,066	4,947	119	15,198	14,842	356
Total Route Revenue	52,662	49,603	3,059	178,896	169,884	9,012

Our Other Routes consist of 19 regulated routes and eight small unregulated routes primarily serving the northern and southern Gulf Islands and the Sunshine Coast. One of the regulated routes and all of the unregulated routes are operated under contract by alternative service providers. We receive fees from the Province for the provision of service on the unregulated routes, which are included in the ferry transportation fees in the above table.



In the nine months ended December 31, 2009, revenue from our Other Routes consisted of 53% from customers and 47% from the Province (4% social program fees, 34% ferry transportation fees, and 9% from payments under the Federal-Provincial subsidy agreement).

Other Routes, cont'd

Both vehicle traffic and passenger traffic increased in the three and nine months ended December 31, 2009, compared to the same periods in the previous year. The increase in vehicle traffic in the third quarter was 5.8% (2.5% year-to-date) while the increase in passenger traffic was 4.4% (1.9% year-to-date). The increase in average tariff yield per vehicle in the third quarter was $0.95 or 7.4% ($1.04 or 7.8% year-to-date). The increase in average tariff yield per passenger in the third quarter was $0.23 or 6.5% ($0.39 or 10.9% year-to-date). The increase in traffic and the improvement in average yield resulted in a $2.5 million ($8.6 million year-to-date) increase in tariff revenue. Average and total tariffs were significantly lower in the prior year due to redemptions of prepaid paper tickets in excess of the liability set up at March 31, 2008.

Reimbursements from the Province for social program fees were higher in the three and nine months ended December 31, 2009, compared to the same periods in the prior year as a result of higher program usage and increased fares.

Revenue from catering and on-board services and fees for reservations increased primarily as a result of higher traffic levels on routes where those services are offered.

Ferry transportation fees are lower in the quarter and year-to-date; however, the annual amount is expected to equal that of the prior fiscal year.

The total Federal-Provincial subsidy has increased by the Vancouver CPI.

Expenses
Expenses for the three and nine months ended December 31, 2009 and 2008 are summarized in the tables below.

Operating expenses ($ millions)	Three months ended December 31			Nine months ended December 31		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Operations	95.3	93.0	2.3	305.8	300.6	5.2
Maintenance	22.8	20.8	2.0	60.6	55.6	5.0
Administration	7.8	7.5	0.3	22.3	25.0	(2.7)
Total operations, maintenance & administration	125.9	121.3	4.6	388.7	381.2	7.5
Cost of retail goods sold	6.4	6.4	0.0	24.3	23.2	1.1
Amortization	29.5	23.4	6.1	85.2	66.1	19.1
Total expenses	161.8	151.1	10.7	498.2	470.5	27.7

The $2.3 million ($5.2 million year-to-date) increase in operations expenses consists of:

- $1.1 million ($5.0 million year-to-date) increase in wages and benefits, including:
  - Approximately $1.1 million ($3.6 million year-to-date) in wage rate increases averaging about 3% in accordance with the existing Collective Agreement; and $0.2 million decrease ($2.0 million increase year-to-date) in benefit costs reflecting changes in premiums for a number of plans; and
- $1.7 million ($2.1 million year-to-date) increase consisting of a number of miscellaneous items.

These increases were partially offset by:

- $0.5 million or 2.5% ($1.9 million or 2.6% year-to-date) decrease in fuel expense as a result of lower prices approved by the Commissioner, partly offset by a 1.4% increase in fuel consumption for both the quarter and year-to-date, reflecting new vessels in service being larger than the vessels they replaced.

The $2.0 million ($5.0 million year-to-date) increase in maintenance costs reflects variations in vessel refit scheduling. The increase year-to-date also includes $2.0 million of unanticipated maintenance on the *Queen of Burnaby* to replace a damaged propeller.

Administration expenses in the quarter were $0.3 million higher ($2.7 million lower year-to-date) than the same period in the prior year. The decrease year-to-date is mainly a result of reduced consulting, travel, marketing, advertising, and other discretionary expenditures.

Cost of retail goods sold in the quarter is at the same level as the prior year, while year-to-date, they are $1.1 million higher mainly as a result of higher food and retail sales.

Amortization increased a total of $6.1 million ($19.1 million year-to-date) mainly as a result of additional assets coming into service, including:

- $1.2 million ($7.0 million year-to-date) due to the *Coastal Inspiration* and the *Coastal Celebration* entering service in June 2008 and November 2008, respectively;
- $0.9 million ($2.7 million year-to-date) due to the $52 million *Queen of New Westminster* upgrade completed in April 2009;
- $2.2 million ($5.1 million year-to-date) due to the *Northern Expedition* commencing service in May 2009; and
- $0.6 million ($1.9 million year-to-date) due to the *Island Sky* commencing service in February 2009.

Interest and other ($ millions)	**Three months ended December 31**			**Nine months ended December 31**		
	2009	**2008**	**Increase (Decrease)**	**2009**	**2008**	**Increase (Decrease)**
Interest expense						
Bond interest	16.0	14.0	2.0	47.7	41.3	6.4
KfW loans	2.8	2.2	0.6	8.6	6.3	2.3
Short-term loans	0.0	0.4	(0.4)	0.3	0.7	(0.4)
Interest on deferred accounts	0.1	(0.1)	0.2	0.1	0.0	0.1
Structured Financing Facility Program	(1.3)	(1.2)	(0.1)	(3.9)	(1.2)	(2.7)
Capitalized interest	(0.4)	(3.3)	2.9	(2.5)	(11.2)	8.7
Total interest expense	17.2	12.0	5.2	50.3	35.9	14.4
(Gain) on foreign exchange	0.0	0.0	0.0	0.0	(0.2)	0.2
Loss (gain) on disposal and write-down of capital assets	1.3	0.9	0.4	1.3	(0.3)	1.6
Total interest and other	18.5	12.9	5.6	51.6	35.4	16.2

Interest expenses increased $5.2 million ($14.4 million year-to-date) primarily due to:

- $1.9 million ($6.4 million year-to-date) additional interest relating to our $140 million bond series issued in December 2008;
- $0.6 million ($2.3 million year-to-date) additional interest relating to KfW loans which partially funded the purchase of the *Northern Expedition* and the *Coastal Celebration*; and
- $2.9 million ($8.7 million year-to-date) less interest capitalized reflecting a reduced capital program;

These increases were partially offset by:

- $0.1 million ($2.7 million year-to-date) increase in interest rate support received from the Government of Canada.

During the first quarter of fiscal 2010, the Government of Canada agreed to provide an additional $0.6 million of interest rate support through the Structured Financing Facility (SFF) Program, relating to the life extension of the *Queen of New Westminster*. In October 2009, we received approval for up to $1.0 million of interest expense reimbursements through the SFF relating to the life extension of the *Quinsam*.

In January 2010, the *Queen of Saanich* was sold for nominal proceeds. In the third quarter, we wrote down the book values of the three vessels held for sale at December 31, 2009, the *Queen of Saanich,* the *Queen of Vancouver* and the *Queen of Prince Rupert*. The write-downs totalled $2.9 million, reflecting current market conditions and management expectations. These were partially offset in the quarter by a $1.8 million gain on sale of surplus land adjacent to our ship repair facility in Richmond, B.C. Results for the nine month period in the prior year included a $1.2 million gain from the sale of the *Queen of Esquimalt* and a $0.7 million loss from the sale of the *Queen of Tsawwassen.*

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources

We fund our operations and capital acquisitions with cash flow generated from operations, as well as bank financing and debt issues. We completed our major financing requirements in fiscal 2009. Our ongoing capital expenditures are expected to be significantly lower than in the previous few years. Over the next five years, we expect our cash requirements will be met through operational cash flows and by accessing our credit facility from time to time. At December 31, 2009, our unrestricted cash and cash equivalents totalled $50 million.

We target maintaining a strong investment-grade credit rating to allow capital market access at reasonable interest rates. On December 14, 2009, we were advised by DBRS that the credit rating agency upgraded our long-term rating from A (low) to A. DBRS acknowledged our tight management of service offerings and expenses as an important factor contributing to this upgrade. As at December 31, 2009 Standard & Poor's assessed our rating as A- with a positive outlook.

Sources & Uses of Cash

Our liquidity needs are met through a variety of sources, including cash generated from operations, issuance of bonds, and borrowings under our credit facility. Our primary uses of funds are operational expenses, capital asset acquisitions and upgrades, and interest payments on our long-term debt.

Sources and uses of cash and cash equivalents for the three and nine months ended December 31, 2009 and 2008 are summarized in the table below.

Sources and uses of cash	**Three months ended December 31**		**Nine months ended December 31**	
($ millions)	**2009**	**2008**	**2009**	**2008**
Net (loss) earnings	(20.4)	(14.6)	40.2	47.5
Items not involving cash:				
Amortization	29.5	23.4	85.2	66.1
Other non-cash charges	1.6	1.4	1.4	0.3
Regulatory costs deferred	2.1	(3.5)	8.3	(2.7)
Change in operating working capital	6.6	1.5	(14.4)	(24.5)
Cash provided by operating activities	19.4	8.2	120.7	86.7
Cash (used) provided by financing activities	(0.1)	176.8	(22.9)	274.9
Cash used in investing activities	(24.1)	(58.9)	(60.0)	(345.6)
Total increase (decrease) in cash and cash equivalents	(4.8)	126.1	37.8	16.0

Three Months Ended December 31, 2009

In the three months ended December 31, 2009, cash provided by operating activities included a decrease in non-cash working capital of $6.6 million. This decrease in working capital was primarily due to:

- $4.4 million decrease in accounts receivable primarily due to:
  - $2.0 million in social program fees receivable; and
  - $1.6 million in commercial travel cards receivable;
- $1.9 million increase in accrued employee costs;
- $1.8 million decrease in total inventories mainly due to usage in the quarter of refit materials and supplies;
- $1.2 million increase in payables and accrued liabilities relating to refit and maintenance and other operating activities;
- $0.1 million increase in deferred revenue; and
- $0.1 million decrease in prepaid expenses.

The above items, which decreased working capital, were partially offset by:

- $2.8 million decrease in interest payable on long-term debt reflecting the interest payments made in the third quarter; and
- $0.1 million decrease in regulatory liabilities.

Cash used in investing activities consists mainly of $18.5 million used to purchase capital assets and $7.5 million used to purchase short-term investments. The significant capital transactions are described below in "Investing in Our Capital Assets".

Nine Months Ended December 31, 2009

In the nine months ended December 31, 2009, cash provided by operating activities included an increase in non-cash working capital of $14.4 million. This increase in working capital was primarily due to:

- $5.3 million decrease in payables and accrued liabilities relating to refit and maintenance and other operating activities;
- $2.9 million decrease in regulatory liabilities reflecting the return to customers through discount fare promotions of the tariff revenues collected in excess of price caps at March 31, 2009;
- $2.8 million decrease in interest payable reflecting the interest payments made in the third quarter;
- $2.0 million decrease in deferred revenue primarily as a result of a reduction in prepaid reservations due to the seasonality of our business;
- $1.9 million increase in accounts receivable relating to operating activities primarily due to:
  - $1.5 million in social program fees receivable; and
  - $1.2 million in ferry transportation fees;

  partially offset by decrease in other receivables;
- $1.3 million decrease in accrued employee costs; and
- $0.7 million increase in total inventories.

The above items, which increased working capital, were partially offset by a $2.5 million decrease in prepaid expenses, primarily due to a $2.2 million reduction in prepaid fuel and a $0.4 million reduction in service contracts.

Cash used by financing activities reflects an $18.0 million repayment of short-term loans and a $4.5 million repayment of long-term debt.

Cash used in investing activities consists mainly of $54.4 million used to purchase capital assets and $7.5 million used to purchase short-term investments. The significant capital transactions are described below in "Investing in Our Capital Assets".

INVESTING IN OUR CAPITAL ASSETS

Capital expenditures in the three and nine months ended December 31, 2009, totalled $21.3 million and $51.0 million, respectively. This level of expenditure reflects the significant reduction in our capital program compared to previous years. Total capital expenditures were:

Capital expenditures ($ millions)	**December 31, 2009** **3 Months**	**9 Months**
Terminal and building upgrades and equipment	5.3	14.5
New vessels, vessel upgrades and modifications	7.8	16.0
Terminal marine structures	5.2	10.3
Information technology	3.0	10.2
Total capital expenditures	21.3	51.0

Terminal and Building Upgrades and Equipment

Capital expenditures for terminal and building upgrades and equipment in the three and nine months ending December 31, 2009 included the following:

Terminal and building upgrades and equipment ($ millions)	**December 31, 2009** **3 Months**	**9 Months**
Terminal security upgrades	3.3	6.9
Less: federal funding	(2.6)	(3.3)
Departure Bay terminal	1.4	4.9
Vehicles, machinery & equipment	2.1	3.6
Other terminal projects	1.1	2.4
	5.3	14.5

At nine terminals, mainly serving our Major and Northern Routes, we continued our multi-year project to upgrade security. This project primarily involves fencing, gating, lighting, access controls, and closed circuit television, as well as upgrades to foot passenger ticketing areas and baggage screening. Transport Canada, through the Marine Security Contribution Program, has allocated approximately $9.1 million of federal funding to help offset our costs of perimeter security, access control measures, and training. The program requires us to apply for reimbursement of 75% of the eligible costs of security enhancements on approved projects as capital expenditures are incurred. As of December 31, 2009, we submitted claims for reimbursement of approximately $3.3 million, of which $2.3 million has been received. The remaining $1.0 million has been approved for reimbursement.

At Departure Bay terminal, the new waiting room is substantially complete and in use. Also, waste management facilities have been consolidated and employee parking has been expanded and paved. To complete this project, the holding compound and short-term parking will be expanded. This is a continuation of the master plan for improvements at this terminal that began last fiscal year and is expected to be completed in fiscal 2011.

The costs incurred to date for vehicles, machinery, and equipment include the purchase of nine additional hostling units this quarter (15 year-to-date) to support our new drop-trailer service. During this fiscal year, we expect to purchase a total of 20 units. These units will be used to move commercial trailers to and from our holding compounds. During the period, we also continued with our planned replacement of certain vehicles and baggage carts.

New Vessels, Vessel Upgrades and Modifications
Capital expenditures for new vessels, vessel upgrades and vessel modifications in the three and nine months ending December 31, 2009, included the following:

New vessels, vessel upgrades and modifications ($ millions)	**December 31, 2009**	
	3 Months	**9 Months**
New northern vessel, the *Northern Expedition*	0.1	4.5
Quinsam upgrade and betterment	3.3	3.3
Sewage treatment upgrade program	1.4	2.3
Vessel security upgrades	1.0	1.3
Voyage Data Recorders and navigational aids and upgrade of vessel connectivity	0.5	1.4
Bow thruster replacement on the *Spirit of British Columbia*	0.7	0.8
Other projects	0.8	2.4
	7.8	16.0

On May 18, 2009, the new *Northern Expedition* made its inaugural voyage on our northern route through the Inside Passage from Port Hardy to Prince Rupert. This 150-metre vessel, which replaced the 43-year-old *Queen of Prince Rupert,* has 55 staterooms and has a capacity of up to 130 vehicles and 600 passengers. A $133 million contract with Flensburger Schiffbau-Gesellschaft to build this new vessel was signed in July 2006 and completed on schedule and on budget. The import duties and taxes on this contract total approximately $44 million. We are seeking a remission of the import duties and related GST of approximately $37 million, but are uncertain as to the outcome of our application.

The upgrade and betterment of the *Quinsam* will include new lifesaving systems, new electrical switchboard and generators, new right-angle drives, upgrades to the engines, and various interior improvements. This $12 million project is expected to be complete by the end of this fiscal year.

Implementation of a multi-year sewage and waste water treatment program to upgrade 20 vessels and eight terminals for treatment of sewage generated by the vessels is underway. The program involves major modifications and upgrades to ensure that all vessels comply with new *Canada Shipping Act* sewage regulations, which will apply effective July 1, 2012. Wherever possible, the vessels will convey sewage to a terminal through pump-ashore infrastructure. In all other cases, the vessels will be fitted with compliant Marine Sanitation Devices. We are working with local governments to seek their approval to pump effluent into their systems at our cost. Modification of the first vessel, the *Skeena Queen,* is complete and we have received approval from the local government to connect the Swartz Bay terminal to their existing infrastructure. The holding tank and pump ashore system on the *Kwuna* is nearing completion. As part of the Federal government's Infrastructure Stimulus Fund program, we estimate we will receive $7.5 million to assist with sewage pump-ashore projects and other major terminal projects.

The two-year program to install Voyage Data Recorders and navigational aids and upgrade vessel connectivity is complete. The remaining few vessels will be completed as they undergo their planned refits.

Terminal Marine Structures
Capital expenditures for terminal marine structures in the three and nine months ending December 31, 2009 included the following:

Terminal marine structures ($ millions)		**December 31, 2009**	
Terminal	**Description**	**3 Months**	**9 Months**
Tsawwassen	Major berth replacement and refurbishment	1.8	2.6
Langdale	Replacement of wingwall	0.9	1.6
Fulford Harbour	Replacement of two dolphins and maintenance walkway	0.1	1.6
Tsawwassen	Restoration of the concrete transfer deck	0.3	0.7
Prince Rupert	Addition of a tie up dolphin for the *Northern Expedition*	0.0	0.6
Denman	Apron replacement and wingwall refurbishment	0.3	0.4
Skidegate	New pontoon, ramp, ramp abutment and two dolphins	0.1	0.4
Various	Other projects	1.7	2.4
		5.2	10.3

The $39 million replacement and refurbishment of one of the berths (Berth 4) at Tsawwassen terminal is a multi-year project to replace all 13 dolphins, the port wingwall and the lower ramp. The lower ramp will be replaced with a new multi-apron ramp with two-lane commercial vehicle capacity and the foundations and ramp supports will be upgraded and a new hydraulic lift system installed.

Preparations at Skidegate to accommodate the new *Northern Expedition* were completed in the first quarter of fiscal 2010. At Fulford Harbour and Prince Rupert terminals, the dolphins and the maintenance walkway are complete and in use.

Information Technology

Capital expenditures for information technology in the three and nine months ending December 31, 2009, included the following:

Information technology ($ millions)	**December 31, 2009**	
	3 Months	**9 Months**
Enterprise resource planning upgrade	0.7	4.3
Network for the operations centre	0.6	1.7
Server and PC replacement program	0.4	1.0
Automated ticketing software	0.3	0.7
Other projects	1.0	2.5
	3.0	10.2

The most significant information technology project has been our enterprise resource planning system upgrade, which includes financial and related operating systems. The first and largest phase of this project was implemented on August 30, 2009. The second phase, which will include enhancements to enable reporting under International Financial Reporting Standards (IFRS), is expected to be completed this fiscal year. This upgrade will provide future opportunities for operational improvements through its advanced functionality.

Our new operations and security centre went into service in May 2009. This project included video terminals, wall displays, cameras, and computer hardware and software that allow for real-time situational awareness and monitoring of fleet operations. Work continues on expanding the network for the centre.

On December 1, 2009, we opened new self-ticketing kiosks at two of our major terminals. The self-ticketing system is designed to simplify and speed up the foot passenger ticketing process. Similar to a movie theatre, customers now have the option of using a self-ticketing machine or purchasing a ticket from a ticket agent.

On December 17, 2009, we completed a website enhancement to allow our internet services to be more accessible to customers. Anyone using a handheld device with web connectivity can now view up-to-the-minute ferry travel information.

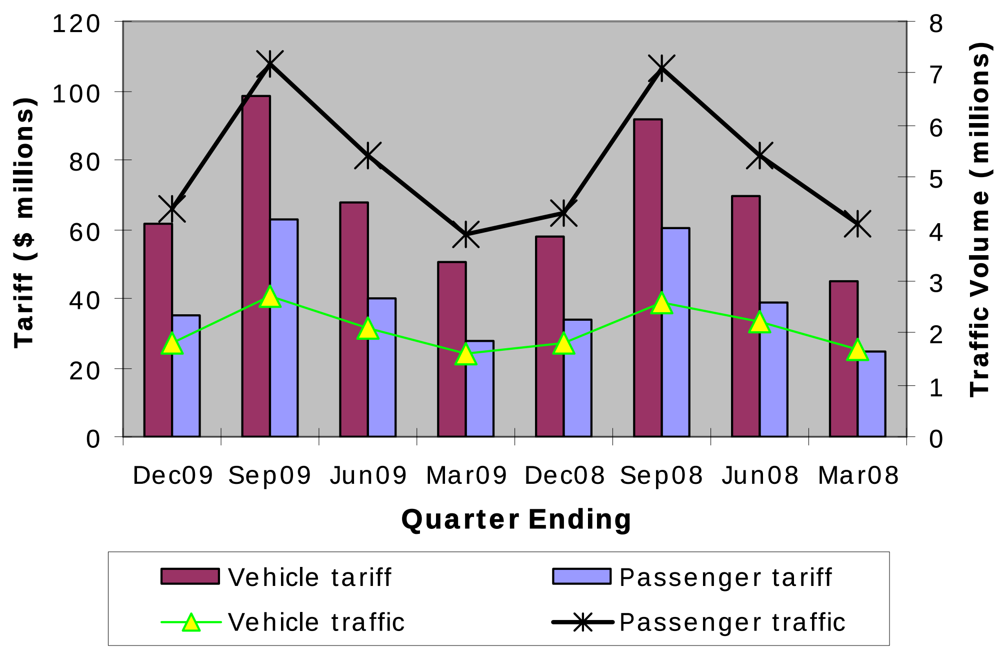
SUMMARY OF QUARTERLY RESULTS

The table below compares earnings by quarter for the most recent eight quarters.

	Quarter Ended (unaudited)							
($ millions)	**Dec 09**	**Sep 09**	**Jun 09**	**Mar 09**	**Dec 08**	**Sep 08**	**Jun 08**	**Mar 08**
Total revenue	159.9	251.8	178.3	128.5	149.4	232.1	171.9	124.2
(Loss) earnings from operations	(1.9)	81.5	12.2	(25.1)	(1.7)	66.2	18.4	(20.0)
Net (loss) earnings and comprehensive (loss) income	(20.4)	64.2	(3.6)	(38.4)	(14.6)	53.7	8.4	(30.5)

Quarterly results are affected by the seasonality of leisure travel patterns. The second quarter, covering the summer period, experiences the highest traffic levels and the highest net earnings. The third and fourth quarters reflect a seasonal downturn in traffic. We utilize these periods to perform upgrades and major maintenance and refit programs, as well as to undertake mandatory inspections on the majority of our vessels.

The following graph demonstrates the seasonality of our revenue and shows the relationship of traffic volume and tariff revenue over the most recent eight quarters.



FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Exposure to credit risk, liquidity risk and market risk arises in the normal course of our business. We manage market risk arising from the volatility in foreign currency, interest rate, and fuel price exposures in part through the use of derivative financial instruments including forward contracts, swaps and options. We do not utilize derivative financial instruments for trading or speculative purposes.

A discussion of financial risks can be found on pages 38 through 40 of our fiscal 2009 Management's Discussion & Analysis. Our risk profile is substantially unchanged during the nine months ended December 31, 2009.

BUSINESS RISK MANAGEMENT

Understanding and managing risk are important parts of our business. We have processes in place throughout our company to manage risks that inevitably arise in the normal course of business. A discussion of enterprise wide risk management can be found on pages 41 through 44 of our fiscal 2009 Management's Discussion & Analysis. Our risk profile is substantially unchanged during the nine months ended December 31, 2009.

We do not believe that material uncertainties exist in regards to our future. We have considered many items such as profitability levels, cash generating potential, cash utilization requirements including debt repayment schedules and future capital expenditures, and working capital requirements. We have taken measures to allow us to weather the economic downturn and continue to have a viable, profitable future.

ACCOUNTING PRACTICES

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles.

Our significant accounting policies are contained in note 1 to our March 31, 2009 and December 31, 2009 consolidated financial statements. Certain of these policies involve critical accounting estimates because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. These estimates and assumptions are subject to change as new events occur, as more experience is acquired, as additional information is obtained and as the general operating environment changes.

Discussion of the most critical accounting policies and estimates that we have used in the preparation of our consolidated financial statements can be found on pages 44 through 46 of our fiscal 2009 Management's Discussion & Analysis. The following describes the changes to critical accounting policies we have used in the preparation of our consolidated financial statements for the nine months ended December 31, 2009, or expect to use in the future.

Adoption of New Accounting Standards

Effective April 1, 2009, we adopted the following CICA Handbook Sections:

- Section 3064, *Goodwill and Intangible Assets* does not substantively change the requirement pertaining to goodwill. The changes in requirements pertaining to intangible assets primarily relate to recognition criteria for purchased and internally developed assets which will result in fewer intangible assets being recognized on the balance sheet. Other than reclassifications and additional disclosure in Note 5, the adoption of this section has had no impact on our consolidated financial statements.

- Amendments to Sections 1100 *Generally Accepted Accounting Principles*, 3465 *Income Taxes* and Accounting Guideline AcG-19 *Disclosures by Entities Subject to Rate Regulation* are to be applied prospectively. With release of these amendments, a temporary exemption that permitted assets and liabilities arising from rate regulation to be recognized and measured on a basis other than in accordance with the primary sources of generally accepted accounting principles has been removed. In addition, accounting recommendations have been amended to require recognition of future income tax liabilities and assets as well as offsetting future income tax regulatory assets and liabilities for entities subject to rate regulation. The adoption of these amendments has had no impact on our consolidated financial statements. We will continue to monitor any additional implications on our financial reporting related to accounting for rate regulated operations.

- Emerging Issues Committee Abstract 173 *Credit Risk and Fair Value of Financial Assets and Financial Liabilities* confirms that our own credit risk and the credit risk of our counterparties should be taken into consideration in determining the fair value of financial assets and liabilities. The adoption of this guidance has had no significant effect on our consolidated financial statements.

Future Accounting Changes

The following is a discussion of accounting changes that will be effective for us in future periods:

- In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. Our transition date for the conversion to IFRS is April 1, 2011 and will require the restatement for comparative purposes of amounts reported by us for the year ended March 31, 2011. We are continuing to assess the financial reporting impacts of the adoption of IFRS and are monitoring ongoing standards development as issued by the International Accounting Standards Board and the CICA Accounting Standards Board as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure relating to our adoption of IFRS.

  The transition to IFRS may materially affect our reported financial position and results of operations. As our analysis is still underway and accounting policy choices, as well as exemptions under *IFRS 1 First-Time Adoption of IFRS* (IFRS 1), have not yet been selected, we are unable to quantify the impact of IFRS on the future financial position and results of operations.

  We commenced our IFRS conversion project in 2007 and have established a formal project governance structure with regular reporting. We have also engaged a quality assurance advisor to assist in the project.

  Our IFRS conversion project consists of three phases: scoping and diagnostic; analysis and development; and implementation and review. The first phase, which has been completed, involved project planning and resourcing, identification of differences between current Canadian GAAP and IFRS and priority setting. The areas identified to have the highest potential to significantly impact us are rate-regulated operations, property, plant and equipment, intangible assets and asset impairment, and initial adoption of IFRS under the provisions of IFRS 1.

  The second phase, which involves detailed analysis and evaluation of options and alternative methodologies available under IFRS and the financial impact of these options, is currently in progress. The impacts on our information systems have been determined. The alternative system approaches were evaluated and the Chart of Accounts solution chosen. System changes are underway.

The following table includes elements of our IFRS transition plan and an assessment of progress towards achieving the key milestones. We are working through a detailed IFRS transition plan and certain project activities and milestones could change. Further, changes in regulation or timing of standard development throughout the project could result in changes to the transition plan. The following tables provide further insight into our IFRS project.

Financial statement preparation
Key activities • Identify differences in Canadian GAAP / IFRS accounting policies • Select ongoing IFRS policies • Select IFRS 1 elections • Develop financial statement format • Quantify effects of change at April 1, 2010 (for fiscal 2011 comparative financial statements)
Status • Scoping and diagnostic phase completed in fiscal 2009, with high-level review of the major differences between Canadian GAAP and IFRS • Highest areas of impact identified and review of IFRS prioritized • In-depth analysis of issues and accounting policy choices is underway • Preparation of illustrative financial statements with note disclosures is in progress

Training, Education & Communication
Key activities • Determine required level of IFRS expertise within all areas of the company • Ensure appropriate training of key members within Finance • Provide appropriate education and communication to affected departments • Keep key stakeholders informed
Status • Core IFRS project team members completed initial training in fiscal 2009 and are currently enrolled in the "IFRS Award Program, Certificate Level" through the CICA • Interdepartmental workshops provided on specific topics, including property, plant and equipment; IFRS1; and the IFRS Framework • Training requirements identified and training plan determined as implementation plans progress • Ongoing communications with key stakeholders, including direct communication with the Commissioner, our Agent Bank, rating agencies, our Board of Directors, and with investors indirectly through our website

Information technology infrastructure
Key activities • Confirm system upgrades required for IFRS reporting • Review/revise data gathering processes • Review/revise budgeting and forecasting processes
Status • Detailed business requirements to accommodate IFRS reporting complete • Overall system approach selected • System configuration and testing complete • IFRS system implementation planned to be complete by March 31, 2010

Control environment
Key activities • Accounting policy determination, documentation and implementation • MD&A ongoing communications
Status • Analysis of control issues underway as part of the detailed implementation plan • Documentation of policies and procedures underway

Business policy assessment
Key activities • Financial covenants assessment • Compensation arrangements assessment • Customer and supplier contract evaluation
Status • All relevant GAAP-dependent covenants and contracts have been identified • Analysis to determine effects of IFRS on existing covenants and contracts underway

A summary of progress in the review of areas originally identified to have the highest potential to impact us is as follows:

- Rate-regulated operations: On July 23, 2009, the International Accounting Standards Board (IASB) published Exposure Draft “Rate-regulated Activities" to define regulatory assets and regulatory liabilities, set out criteria for their recognition, specify how they should be measured and require disclosures about their financial effects. We reviewed this exposure draft and responded to the IASB requesting clarification of scope as defined in the exposure draft. Over 150 comment letters with significantly differing comments and views were received by the IASB. The IASB plans to begin discussing the comments received in the three months ended March 31, 2010.

- Property, plant and equipment: The capitalization of inspections and major overhauls of our vessels is the largest change affecting us. We are currently working to:
  - define and identify inspection and major overhaul for each vessel;
  - quantify those inspections and major overhauls for reclassification of property, plant and equipment at transition date; and
  - determine the best solution for tracking and reporting of these costs.

  As this review is in progress, the effect on our consolidated financial statements of the adoption of this guidance cannot be quantified at this time.

- Intangible assets: There is substantially no change in IFRS from Section 3064, *Goodwill and Intangible Assets,* which we adopted April 1, 2009. The adoption of this guidance is not expected to have any significant effect on our consolidated financial statements.

- Asset impairment: We are currently defining indications of impairment and determining a process to track any asset impairment and potential subsequent reversals. The adoption of this guidance is not expected to have any significant effect on our consolidated financial statements.

- IFRS 1 *First-Time Adoption of IFRS*: The elections and exemptions under IFRS 1 are being reviewed, including proposed amendments relating to rate-regulated activities. Some decisions have been made while others are in progress. As this process is not complete, the effect on our consolidated financial statements of the adoption of IFRS 1 cannot be quantified at this time.

FORWARD LOOKING STATEMENTS

This management's discussion and analysis contains certain "forward looking statements". These statements relate to future events or future performance and reflect management's expectations regarding our growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management's current internal projections, expectations or beliefs and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic, the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the local economy, turbulent financial markets, demographics, import duties remission, GST reduction, and the requirements of the Coastal Ferry Services Contract.

In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective investors should specifically consider various factors including, but not limited to, the risks and uncertainties associated with traffic volume and tariff revenue risk, safety and security, asset risk, accident risk, tax risk, environmental risk, regulatory risk, labour disruption risk, risk of default under material contracts and aboriginal land claims.

Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this management's discussion and analysis are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this management's discussion and analysis, and British Columbia Ferry Services Inc. assumes no obligation to update or revise them to reflect new events or circumstances.