

Condensed Interim Consolidated Financial Statements of

BRITISH COLUMBIA FERRY SERVICES INC.

Three and six months ended September 30, 2025 and 2024

(Unaudited)

BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(Expressed in thousands of Canadian dollars)

	Note	As at	
		September 30, 2025	March 31, 2025
Assets			
Current assets			
Cash and cash equivalents		249,411	204,678
Restricted short-term investments		105,148	99,717
Other short-term investments		-	27,966
Trade and other receivables		22,260	39,902
Prepaid expenses		32,110	14,666
Inventories		49,331	48,206
Loan receivable		37,753	37,753
Derivative assets	11	520	2,441
		496,533	475,329
Non-current assets			
Property, plant and equipment	3	2,177,805	2,040,887
Intangible assets	4	25,368	29,736
		2,203,173	2,070,623
Total assets		2,699,706	2,545,952
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	184,162	227,693
Provisions	6	9,050	13,265
Lease liabilities	7	3,687	3,732
Contract liabilities		54,580	49,511
Long-term debt	7,8	11,079	11,045
Interest payable on long-term debt	7	22,040	21,271
Accrued employee future benefits		2,600	2,600
Deferred grants and other liabilities	9	14,646	12,429
Derivative liabilities	11	3	-
		301,847	341,546
Non-current liabilities			
Provisions	6	91,153	81,185
Lease liabilities	7	20,202	21,822
Long-term debt	7,8	1,494,660	1,422,122
Accrued employee future benefits		19,674	19,692
Deferred grants and other liabilities	9	26,643	31,785
		1,652,332	1,576,606
Total liabilities		1,954,179	1,918,152
Equity			
Share capital		75,478	75,478
Contributed surplus		25,000	25,000
Retained earnings		593,226	473,699
Total equity before reserves		693,704	574,177
Reserves	12	51,823	53,623
Total equity including reserves		745,527	627,800
Total liabilities and equity		2,699,706	2,545,952

Capital commitments (Note 3)

BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss) (Unaudited)

(Expressed in thousands of Canadian dollars)

	Note	Three months ended September 30		Six months ended September 30	
		2025	2024 (As adjusted - note 1(c))	2025	2024 (As adjusted - note 1(c))
Revenue					
Vehicle and passenger fares		275,037	262,734	484,719	457,184
Net retail	13	27,377	26,224	46,896	44,608
Fuel surcharges	18	-	451	-	5,751
Other income		4,520	4,792	9,760	8,367
Revenue from customers		306,934	294,201	541,375	515,910
Ferry service fees		58,047	56,354	111,730	110,328
Fare affordability funding	14	37,285	23,269	66,904	41,504
Federal-Provincial Subsidy Agreement		9,458	9,231	18,917	18,462
Total revenue		411,724	383,055	738,926	686,204
Expenses	15				
Operations		204,293	207,651	400,822	405,141
Maintenance		22,931	27,697	61,396	66,703
Administration		14,958	13,849	30,310	27,334
Depreciation and amortization		50,709	50,816	101,572	99,778
Total operating expenses		292,891	300,013	594,100	598,956
Operating profit		118,833	83,042	144,826	87,248
Net finance and other expenses					
Finance expenses		15,944	17,774	32,884	35,311
Finance income		(2,152)	(6,167)	(3,440)	(12,628)
Net finance expense	16	13,792	11,607	29,444	22,683
Net (gain) loss on disposal and impairment of property, plant and equipment and intangible assets and other charges		(4,096)	(5)	(4,145)	1,548
Net finance and other expenses		9,696	11,602	25,299	24,231
NET EARNINGS		109,137	71,440	119,527	63,017
Other comprehensive (loss) income					
Items that are or may be reclassified subsequently to net (loss) earnings:					
Hedge (losses) gains on fuel swaps	11	1,074	(1,870)	(1,135)	(1,813)
Total other comprehensive (loss) income		1,074	(1,870)	(1,135)	(1,813)
Total comprehensive income		110,211	69,570	118,392	61,204

BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Cash Flow (Unaudited)

(Expressed in thousands of Canadian dollars)

	Six months ended September 30	
	2025	2024 (As adjusted - note 1(c))
Operating activities		
Net earnings	119,527	63,017
Items not affecting cash:		
Net finance expense	29,444	22,683
Depreciation and amortization	101,572	99,778
Net (gain) loss on disposal and impairment of property, plant and equipment and intangible assets	(4,145)	1,548
Other non-cash changes to property, plant and equipment	(990)	(519)
Employee future benefits	(18)	(479)
Derivative assets recognized in net loss	-	(1)
Provision recognized in net earnings	1,094	13
Deferred grants and other liabilities	-	(131)
Accrued financing cost	(3,046)	(5,779)
Total non-cash items	123,911	117,113
Movements in working capital:		
Trade and other receivables	17,642	5,979
Prepaid expenses	(17,444)	(4,205)
Inventories	(1,125)	(4,421)
Accounts payable and accrued liabilities	(43,531)	(25,820)
Contract liabilities	5,069	584
Change in non-cash working capital	(39,389)	(27,883)
Change in non-cash working capital attributable to investing activities	30,969	(5,056)
Change in non-cash operating working capital	(8,420)	(32,939)
Cash generated from operating activities before interest	235,018	147,191
Interest received	6,865	17,919
Interest paid	(33,387)	(33,755)
Cash generated from operating activities	208,496	131,355

BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Cash Flow (Unaudited)

(Expressed in thousands of Canadian dollars)

	Six months ended September 30	
	2025	2024
		(As adjusted - note 1(c))
Financing activities		
Repayment of long-term debt	(5,641)	(5,641)
Repayment of lease liabilities	(1,953)	(1,778)
Proceeds from the issue of bonds	133,000	-
Transaction costs related to bonds	(376)	-
Cash generated from (used in) financing activities	125,030	(7,419)
Investing activities		
Disposal of property, plant and equipment	(5,189)	171
Purchase of property, plant and equipment and intangible assets	(306,139)	(98,607)
Changes in restricted short-term investments	(5,431)	60
Net redemption of other short-term investments	27,966	219,055
Cash (used in) generated from investing activities	(288,793)	120,679
Net increase in cash and cash equivalents	44,733	244,615
Cash and cash equivalents, beginning of period	204,678	31,906
Cash and cash equivalents, end of period	249,411	276,521

BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(Expressed in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings	Total equity before reserves	Reserves (Note 12)	Total equity including reserves
Balance as at April 1, 2024	1(c)	75,478	25,000	551,465	651,943	57,695	709,638
Net earnings		-	-	63,017	63,017	-	63,017
Other comprehensive income		-	-	-	-	(1,813)	(1,813)
Realized hedge gains recognized in fuel swaps		-	-	-	-	(64)	(64)
Hedge losses on interest rate forward contract reclassified to net earnings		-	-	-	-	123	123
Balance as at September 30, 2024		75,478	25,000	614,482	714,960	55,941	770,901
Balance as at April 1, 2025		75,478	25,000	473,699	574,177	53,623	627,800
Net earnings		-	-	119,527	119,527	-	119,527
Other comprehensive loss		-	-	-	-	(1,135)	(1,135)
Realized hedge gains recognized in fuel swaps		-	-	-	-	(789)	(789)
Hedge losses on interest rate forward contract reclassified to net earnings		-	-	-	-	124	124
Balance as at September 30, 2025		75,478	25,000	593,226	693,704	51,823	745,527

Balances as at April 1, 2024 and Net earnings for the six months ended September 30, 2024 have been adjusted (Note 1(c)).

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
Three and six months ended September 30, 2025 and 2024
(Tabular amounts expressed in thousands of Canadian dollars)

British Columbia Ferry Services Inc. (the "Company") was incorporated under the Company Act (British Columbia) by way of conversion on April 2, 2003, and now validly exists under the Business Corporations Act (British Columbia). The Company's primary business activity is the provision of coastal ferry services in British Columbia.

The Company is subject to the Coastal Ferry Act (the "Act") as amended, which originally came into force on April 1, 2003. Its single issued common share is held by the B.C. Ferry Authority (the "Authority"), a corporation without share capital, and it is regulated by the British Columbia Ferries Commissioner (the "Commissioner") to ensure that rates are fair and reasonable and to monitor service levels.

Historically, the Company's business is seasonal in nature, with the highest activity in the summer (second quarter) and the lowest activity in the winter (fourth quarter), due to the high number of leisure travellers and their preference for travel during the summer months.

1. Accounting policies:

(a) Reporting entity:

British Columbia Ferry Services Inc. is domiciled in Canada. The address of the Company's registered office is Suite 500, 1321 Blanshard Street, Victoria, BC, Canada. These condensed interim consolidated financial statements, as at and for the six months ended September 30, 2025 and 2024, comprise the Company and its subsidiaries, Pacific Marine Leasing Inc., and Pacific Marine Holdings Inc. (together referred to as the "Group").

(b) Basis of preparation:

These condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") and its interpretations, as issued by the International Accounting Standards Board, and comply with International Accounting Standard 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended March 31, 2025, as they follow the same accounting policies, except as disclosed in notes 1 and 2.

These condensed interim consolidated financial statements have been prepared using the historical cost method, except for items that IFRS permits to be measured at fair value - owned land, loan receivable and certain financial assets and liabilities, including derivatives.

These condensed interim consolidated financial statements are presented in Canadian dollars ("CAD") which is the Group's functional currency. All tabular financial data is presented in CAD and rounded to the nearest thousand, unless otherwise stated.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 27, 2025.

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
Three and six months ended September 30, 2025 and 2024
(Tabular amounts expressed in thousands of Canadian dollars)

1. Accounting policies (continued):

(c) Adjustment of balances:

The Group identified that at the inception of an office building lease in 2010 an option to purchase was incorrectly included in the value of the right of use property, plant and equipment and the right of use lease liability, instead of included in the value of the loan receivable. The Group identified that the loan receivable was valued incorrectly at amortized cost instead of fair value through profit or loss. The Group concluded that the impact of this change is immaterial; however, has adjusted for the cumulative effect and adjusted the carrying amounts of retained earnings, net earnings and reserves in the fourth quarter of fiscal 2025, in its annual consolidated financial statements. The affected notes to these interim condensed consolidated financial statements have been amended to reflect these changes. The following table summarizes the impacts on the Group's condensed interim consolidated financial statements.

	Three months ended September 30, 2024			Six months ended September 30, 2024		
	Balance as previously reported	Adjustment	Balance as adjusted	Balance as previously reported	Adjustment	Balance as adjusted
Statements of Profit or Loss						
Finance income	(5,922)	(245)	(6,167)	(12,143)	(485)	(12,628)
Net earning	71,195	245	71,440	62,532	485	63,017

	Six months ended September 30, 2024		
	Balance as previously reported	Adjustment	Balance as adjusted
Statement of Cash Flows			
Net finance expense	23,168	(485)	22,683

	Balance as previously reported	Adjustment	Balance as adjusted
Statement of Changes in Equity as at April 1, 2024			
Retained earnings	545,473	5,992	551,465
Reserves	69,290	(11,595)	57,695

2. Adoption of new and amended standards:

The Group adopted amendments to IAS 21, the effects of changes in foreign exchange rates regarding lack of currency exchangeability. This amendment had no impact on the Group's condensed interim consolidated financial statements.

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three and six months ended September 30, 2025 and 2024

(Tabular amounts expressed in thousands of Canadian dollars)

3. Property, plant and equipment:

	Vessels	Berths, buildings and equipment	Right-of-use assets – Berths, buildings and equipment	Right-of-use assets – Land	Land	Construction in progress	Total
Cost:							
Balance as at April 1, 2025	2,302,068	865,778	186,047	31,892	81,022	251,849	3,718,656
Additions	14,476 ¹	-	-	288	-	278,495	293,259
Reclassifications from deferred grants and funding	(838)	-	-	-	-	(60,054)	(60,892)
Disposals and impairments	(29,054)	(1,304)	-	-	-	(1,769)	(32,127)
Transfers from construction in progress	33,273	24,836	-	-	-	(58,109)	-
Balance as at September 30, 2025	2,319,925	889,310	186,047	32,180	81,022	410,412	3,918,896
Accumulated depreciation:							
Balance as at April 1, 2025	1,151,464	402,456	120,228	3,621	-	-	1,677,769
Depreciation	65,439	22,835	5,004	371	-	-	93,649
Disposals and impairments	(29,054)	(1,273)	-	-	-	-	(30,327)
Balance as at September 30, 2025	1,187,849	424,018	125,232	3,992	-	-	1,741,091
Net carrying value:							
As at April 1, 2025	1,150,604	463,322	65,819	28,271	81,022	251,849	2,040,887
As at September 30, 2025	1,132,076	465,292	60,815	28,188	81,022	410,412	2,177,805

¹ Vessel decommissioning and restoration cost additions

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three and six months ended September 30, 2025 and 2024

(Tabular amounts expressed in thousands of Canadian dollars)

3. Property, plant and equipment (continued):

During the six months ended September 30, 2025, financing costs capitalized during construction of qualifying assets amounted to \$4.7 million (September 30, 2024: \$1.3 million) with an average capitalization rate of 3.15% (September 30, 2024: 2.83%).

As at September 30, 2025, contractual commitments for assets to be constructed totaled \$1,021.0 million (March 31, 2025: \$272.3 million). The majority of these contractual commitments relate to constructing four new major vessels ("NMV") and four Island Class vessels.

During the six months ended September 30, 2025, the Group recognized property, plant and equipment asset impairments of \$1.8 million (September 30, 2024: \$0.2 million).

During the six months ended September 30, 2025, the Group received \$0.6 million (September 30, 2024: \$0.6 million) of rental income earned from buildings held for leasing purposes. These buildings have a cost and accumulated depreciation of \$11.9 million and \$6.4 million, respectively, as at September 30, 2025 (March 31, 2025: cost of \$11.9 million and accumulated depreciation of \$6.2 million).

On September 30, 2023, the Group received approval under the Province's CleanBC Go Electric Commercial Vehicle Pilots Program for up to \$15.1 million in funding. This funding is solely for costs incurred to electrify two Island Class vessels and the terminals serving the Campbell River to Quadra Island route. During the six months ended September 30, 2025, the Group recognized \$1.2 million (September 30, 2024: \$0.5 million) as a reduction of the cost of property, plant and equipment.

During the six months ended September 30, 2025, the Group recognized \$59.7 million (September 30, 2024: \$1.6 million) of funding as a reduction of the cost of property, plant and equipment that was transferred from Deferred grants and other liabilities (Note 9). During the six months ended September 30, 2025, \$56.4 million (September 30, 2024: \$nil) of the funding recognized during the six months ended September 30, 2025 was from Canada Infrastructure Bank ("CIB") for NMV capital project costs, with the remainder of the funding recognized from various other sources (Note 9).

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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(Tabular amounts expressed in thousands of Canadian dollars)

4. Intangible assets:

	Acquired software, licenses and rights	Internally developed software and website	Assets under development	Total
Cost:				
Balance as at April 1, 2025	162,129	46,546	3,861	212,536
Additions	-	-	3,555	3,555
Disposals and impairment	-	(141)	-	(141)
Transfers from assets under development	1,758	-	(1,758)	-
Balance as at September 30, 2025	163,887	46,405	5,658	215,950
Accumulated amortization:				
Balance as at April 1, 2025	141,684	41,116	-	182,800
Amortization	3,731	4,192	-	7,923
Disposals and impairment	-	(141)	-	(141)
Balance as at September 30, 2025	145,415	45,167	-	190,582
Net carrying value:				
As at April 1, 2025	20,445	5,430	3,861	29,736
As at September 30, 2025	18,472	1,238	5,658	25,368

During the six months ended September 30, 2025, additions of intangible assets under development totalled \$3.6 million (September 30, 2024: \$3.8 million) of which \$2.8 million (September 30, 2024: \$3.6 million) were acquired and \$0.8 million (September 30, 2024: \$0.2 million) were internally developed.

During the six months ended September 30, 2025, the Group recognized intangible impairments of \$nil (September 30, 2024: \$1.5 million).

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three and six months ended September 30, 2025 and 2024

(Tabular amounts expressed in thousands of Canadian dollars)

5. Accounts payable and accrued liabilities:

	As at	
	September 30, 2025	March 31, 2025
Trade payable and accrued liabilities	73,533	117,373
Wages payable	110,629	110,320
Total	184,162	227,693

Wages payable consists of contractual liabilities to employees for deferred or accrued compensation. Liabilities for deferred compensation amounts are generally settled through either payment or provision of paid time off.

6. Provisions:

	Asset decommissioning and restoration	Claims payable and other	Total
Balance as at April 1, 2025	93,129	1,321	94,450
Accretion expense	1,317	-	1,317
Net additions to provisions during the year	8,641	2,093	10,734
Provisions settled during the year	(5,299)	(999)	(6,298)
Balance as at September 30, 2025	97,788	2,415	100,203
Current	6,635	2,415	9,050
Non-current	91,153	-	91,153
Balance as at September 30, 2025	97,788	2,415	100,203

(a) Asset decommissioning and restoration:

The group maintains asset decommissioning and restoration provisions for probable and measurable legal and constructive present obligations for the disposal of its vessels.

The amount of asset decommissioning and restoration provisions recognized was determined based on the net present value of future expenditures required to fund the decommissioning and restoration of the Group's assets. The obligation is estimated using current estimated costs to settle the obligations inflated to the dates that the obligations are expected to be settled and discounted to current present value using a risk-free rate.

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three and six months ended September 30, 2025 and 2024

(Tabular amounts expressed in thousands of Canadian dollars)

6. Provisions (continued):

(a) Asset decommissioning and restoration (continued):

The key assumptions used to value the asset decommissioning and restoration provisions are as follows:

	As at	
	September 30, 2025	March 31, 2025
Total undiscounted future cash flows	\$109.3 Million	\$107.8 Million
Range of expected timing of outflows to settle obligations	1-41 Years	1-42 Years
Inflation rate	2.5%	2.0%
Discount rate	3.2%	3.0%

(b) Claims payable and other:

Claims payable represent provisions for settlement amounts payable to third parties for injuries or damage to persons or property and for legal proceedings and litigation.

7. Liabilities arising from financing activities:

Continuity of liabilities arising from financing activities:

	Long-term debt	Lease liabilities ¹	Interest payable on long-term debt
Balance as at April 1, 2025	1,433,167	25,554	21,271
Additions	133,000	288	33,530
Payments	(5,641)	(1,953)	(32,761)
Additions to bond discounts and deferred financing costs	(56,745)	-	-
Amortization of bond discounts and deferred financing costs	1,958	-	-
Balance as at September 30, 2025	1,505,739	23,889	22,040
Current	11,079	3,687	22,040
Non-current	1,494,660	20,202	-
Balance as at September 30, 2025	1,505,739	23,889	22,040

¹ Interest expense related to lease liabilities is presented in net finance expense (Note 16).

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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(Tabular amounts expressed in thousands of Canadian dollars)

8. Long-term debt:

	As at	
	September 30, 2025	March 31, 2025
6.25% Senior Secured Bonds, Series 04-4, due October 2034 (effective interest rate of 6.43%)	250,000	250,000
5.02% Senior Secured Bonds, Series 07-1, due March 2037 (effective interest rate of 5.08%)	250,000	250,000
5.58% Senior Secured Bonds, Series 08-1, due January 2038 (effective interest rate of 5.64%)	200,000	200,000
4.70% Senior Secured Bonds, Series 13-1, due October 2043 (effective interest rate of 4.76%)	200,000	200,000
4.29% Senior Secured Bonds, Series 14-1, due April 2044 (effective interest rate of 4.46%)	200,000	200,000
2.79% Senior Secured Bonds, Series 19-1, due October 2049 (effective interest rate of 2.83%)	250,000	250,000
2.47% Senior Secured Bonds, Series 24-1, due March 2049 (effective interest rate of 4.68%)	75,000	75,000
1.83% Senior Secured Bonds, Series 25-1, due June 2050 (effective interest rate of 4.76%)	133,000	-
2.09% Loan, maturing October 2028 (effective interest rate of 2.78%)	12,139	14,008
2.09% Loan, maturing January 2029 (effective interest rate of 2.71%)	13,192	15,078
2.09% Loan, maturing January 2029 (effective interest rate of 2.75%)	13,192	15,078
	1,596,523	1,469,164
Less: Unamortized deferred bond discounts and financing costs	(90,784)	(35,997)
Total	1,505,739	1,433,167
Current	11,079	11,045
Non-current	1,494,660	1,422,122
Total	1,505,739	1,433,167

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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8. Long-term debt (continued):

The Group has eight outstanding series of obligation bonds and a credit facility agreement secured by pledged bonds. In addition, the Group has three 2.09% loans outstanding with KfW IPEX-Bank GmbH, a German export credit bank.

On March 28, 2025, BC Ferries entered into a bond purchase agreement with CIB to issue up to \$1 Billion of senior secured bonds. These senior secured bonds bear interest at 1.828% per annum, are payable semi-annually, can be drawn in several tranches over a five-year period and will mature June 13, 2050. On May 22, 2025, the Group issued to CIB the first tranche of \$133 million of senior secured bonds solely to fund eligible costs incurred directly in respect of Phase 1 of the New Major Vessels project ("Project Costs"). The net proceeds from the bonds are restricted for use towards Project Costs. The Group recognized the bond at fair market value on the date of issuance. The difference between the proceeds and fair market value of the bonds of \$56.4 million was treated as a bond discount and deferred government funding (Note 9).

(a) Credit facility:

The Group has a \$105.0 million revolving credit facility with a syndicate of Canadian banks, secured by pledged bonds (the "Credit Facility"). As of April 4, 2025, the Credit Facility was extended to April 20, 2029. Letters of credit outstanding against this Credit Facility as at September 30, 2025 totalled \$10.1 million (March 31, 2025: \$10.1 million). There was no interest expensed during the six months ended September 30, 2025 (September 30, 2024: \$nil).

(b) Debt service reserves:

Long-term debt agreements require the Group to maintain debt service reserves equal to a minimum of six months of interest payments, to be increased under certain conditions.

As at September 30, 2025, debt service reserves of \$33.8 million (March 31, 2025: \$32.6 million) were held in short-term investments and have been classified as restricted short-term investments on the statement of financial position.

(c) Covenant disclosure:

Under the Master Trust Indenture ("MTI") effective during the period ended September 30, 2025, the Group is subject to indebtedness tests that prohibit additional borrowing if the Group's debt service coverage ratio (earnings before interest, taxes, depreciation, amortization and rent or EBITDAR divided by debt service cost) is less than 1.5.

As at September 30, 2025, the debt service coverage ratio was 3.06.

The Group was in compliance with all of its covenants at September 30, 2025 and at March 31, 2025.

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(Tabular amounts expressed in thousands of Canadian dollars)

9. Deferred grants and other liabilities:

	CIB NMV	Electrification	LNG	Total
Balance as at April 1, 2025	-	38,846	5,368	44,214
Additions	56,368	391	-	56,759
Funding recognized	(56,368)	(2,478)	(838)	(59,684)
Balance as at September 30, 2025	-	36,759	4,530	41,289
Current	-	13,080	1,566	14,646
Non-current	-	23,679	2,964	26,643
Balance as at September 30, 2025	-	36,759	4,530	41,289

CIB NMV funding:

On May 22, 2025, the Group issued the first tranche of bond Series 25-1 for \$133 million, to the CIB, a Crown Corporation of the Federal Government of Canada (Note 8). The fair market value of the bond as of issuance date was \$76.6 million. The difference between the proceeds and fair market value of the bonds of \$56.4 million was classified as government funding and recognized as an offset to the Project Costs of the New Major Vessels Program.

Recognizing the funding is dependent on the Group incurring eligible Project Costs. During the six months ended September 30, 2025, the Group recognized \$56.4 million (September 30, 2024: \$nil) CIB New Major Vessels funding as a reduction to the cost of the property, plant and equipment.

Electrification funding:

(a) Provincial electrification funding:

During the year ended March 31, 2023, the Province provided funding of \$15.0 million to support electrification of the Group's vessels and terminals for use prior to March 31, 2028. The funding is dependent upon the Group incurring eligible costs to electrify new and existing vessels, as well as to modify terminals that the vessels operate between.

During the six months ended September 30, 2025, the Group recognized \$0.1 million (September 30, 2024: \$0.4 million) of which \$0.1 million (September 30, 2024: \$0.4 million) was a reduction to the cost of the property, plant and equipment and less than \$0.1 million (September 30, 2024: \$nil) was a reduction to operating expenses.

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9. Deferred grants and other liabilities (continued):

Electrification funding (continued):

(b) CIB Island Class electrification program funding:

On March 27, 2024, the Group received \$75 million of net proceeds from issuing Series 24-1 bonds to CIB. The fair market value of the bond as of issuance date was \$47.4 million. The difference between the proceeds and fair market value of the bonds of \$27.6 million was classified as government funding and will be recognized as an offset to the Project Costs of the Island Class Electrification Program.

During the six months ended September 30, 2025, the Group recognized \$0.4 million (September 30, 2024: \$0.7 million) as additions to the funding from investment returns generated on the funding.

Recognizing the funding is dependent on the Group incurring Project Costs. During the six months ended September 30, 2025, the Group recognized \$2.3 million (September 30, 2024: \$0.5 million) CIB island class electrification program funding as a reduction to the cost of the property, plant and equipment.

LNG funding:

FortisBC Energy Inc. provided the Group with funding of \$14.0 million for the construction of four liquified natural gas ("LNG") Salish Class vessels and for two Spirit Class vessels to be converted to LNG. The funding is part of the Natural Gas for Transportation incentive funding and recognition of the funding is dependent upon the purchase of LNG and the incremental costs of building/converting vessels to be capable of using LNG for propulsion. The Group expects the funding to be fully recognized by March 31, 2028.

As of September 30, 2025, the Group recognized \$0.8 million (September 30, 2024: \$0.8 million) as a reduction to the cost of the property, plant and equipment.

10. Financial instruments:

The carrying values of the Group's financial instruments approximate fair value as at September 30, 2025 and March 31, 2025 for all financial instruments except for long-term debt.

	As at September 30, 2025		As at March 31, 2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion ¹	1,505,739	1,527,399	1,433,167	1,476,903

¹ Classified in Level 2 as the significant measurement inputs used in the valuation models are indirectly observable in active markets (derived from prices).

Carrying value is measured at amortized cost using the effective interest rate method. Fair value is calculated by discounting the future cash flows of each debt issue at the estimated yield to maturity for the same or similar issues at the date of the statements of financial position, or by using available quoted market prices.

The following items shown in the condensed interim consolidated statements of financial position as at September 30, 2025 and March 31, 2025 are carried at fair value on a recurring basis using Level 1, 2 or 3 inputs.

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10. Financial instruments (continued):

	As at September 30, 2025			As at March 31, 2025		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Asset (liability):						
Cash ¹	249,411	-	-	204,678	-	-
Derivative assets ²	-	520	-	-	2,441	-
Derivative liabilities ²	-	(3)	-	-	-	-
Loan receivable ³	-	-	37,753	-	-	37,753
	249,411	517	37,753	204,678	2,441	37,753

¹ Classified in Level 1 as the measurement inputs are derived from observable, unadjusted quoted prices in active markets for identical assets.

² Classified in Level 2 as the significant measurement inputs used in the valuation models are indirectly observable in active markets (derived from prices).

³ Classified in Level 3 as the significant measurement inputs used in the valuation models are not based on observable market data (unobservable inputs).

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates cannot be determined with precision as they are subjective in nature and involve uncertainties and matters of judgment. Where market prices are not available, fair values are estimated using discounted cash flow analysis. No amounts have been reclassified between levels during the six months ended September 30, 2025.

There is no observable market to value the Group's Loan receivable. Due to the absence of an observable market for the Group's Loan receivable, the fair value is estimated using a cap rate model. The cap rate model divides the Group's right to an office property's estimated net operating income by a discount rate. An (increase) decrease in the discount rate would result in a (decrease) increase in the fair value. An increase (decrease) in the net operating income of the Property would result in an increase (decrease) in the fair value. Reasonable changes in the inputs are not expected to have a significant impact on the fair value. As at September 30, 2025, the inputs used to value the Group's Loan receivable were consistent with the inputs used as at March 31, 2025.

During the six months ended September 30, 2025, gains or losses related to Level 2 derivatives designated as hedges have been recorded in other comprehensive income (loss) ("OCI").

During the six months ended September 30, 2025, no gains or losses related to Level 3 loan receivable have been recorded in other comprehensive income (loss).

The Group may use derivative instruments to hedge its exposure to fluctuations in fuel prices, interest rates and foreign currency exchange rates. The fair value of commodity derivatives reflects only the value of the commodity derivatives and not the offsetting change in value of the underlying future purchase of fuel. These fair values reflect the estimated amounts that the Group would receive or pay should the derivative contracts be terminated at the period end dates.

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11. Financial risk management:

The Group is exposed to risks associated with changes in the market price of marine diesel fuel and LNG. In order to reduce price volatility and add a fixed component to the inherent floating nature of fuel prices, the Group may manage its exposure by entering into hedging instruments with certain financial intermediaries. Fuel price hedging instruments are used to reduce fuel price volatility and to minimize fuel surcharges, not for generating trading profits. Gains and losses resulting from fuel derivatives contracts are recognized as a component of fuel costs.

The Group is also allowed by regulatory order to use deferred fuel cost accounts to mitigate the impact of changes in fuel price on its regulatory (non-IFRS) earnings (Note 18).

The Group hedges using CAD denominated ultra-low sulfur diesel ("ULSD") fuel swap contracts to reduce its exposure to changes in ULSD and foreign exchange risk components associated with forecast diesel fuel purchases. During the six months ended September 30, 2025, the Group entered ULSD fuel swap contracts with a notional value of \$nil (September 30, 2024: \$43.8 million). The notional amount of all fuel swap contracts outstanding as at September 30, 2025 was \$10.7 million (March 31, 2025: \$31.9 million). Hedge accounting was applied to these contracts. No LNG swap contracts were entered into during the six months ended September 30, 2025 and no LNG swap contracts were outstanding as at September 30, 2025.

An economic relationship exists between the hedged item and the hedging instrument as the value of the hedging instrument and the value of the hedged item move in the opposite direction as a result of the change in the hedged risk. A change in the credit risk of the hedging instrument or the hedged item does not dominate the value changes that result from the economic relationship.

During the six months ended September 30, 2025, open fuel swap contracts had unrealized hedging losses of \$1.1 million (September 30, 2024: unrealized hedging losses of \$1.8 million) recognized in OCI. In addition, for closed fuel swap contracts net realized hedging gains of \$0.8 million were reclassified from reserves and included in the Group's fuel expense during the six months ended September 30, 2025 (September 30, 2024: net realized hedging gains of \$0.1 million).

The Group is exposed to risk from foreign currency prices on financial instruments, such as accounts payable and future purchase commitments denominated in currencies other than the CAD. To manage exposure on future purchase commitments, the Group reviews foreign currency denominated commitments and enters into derivative instruments as necessary.

Foreign currency risk arises when the value of financial instruments or forecasted transactions fluctuates due to changes in exchange rates. During the six months ended September 30, 2025, the Group recognized a net foreign exchange loss of \$1.8 million (September 30, 2024: net gain of \$0.2 million) in the condensed interim consolidated statement of profit or loss, primarily related to exchange rates moving unfavorably prior to the payment dates.

To mitigate exposure, the Group monitors its foreign currency exposures regularly and may use derivative financial instruments such as foreign exchange forward contracts to hedge forecasted transactions and firm commitments. Derivative hedging activity is subject to the Group's risk management policies, which are approved by senior management.

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11. Financial risk management (continued):

Cash flow hedges:

	Fiscal 2026	Total
Fuel contracts (litres in thousands)	13,380	13,380
Contract price range (\$/litre)	\$0.7842-\$0.8290	

The impact of hedging instruments designated in hedging relationships as of September 30, 2025 on the condensed interim consolidated statements of financial position and the condensed interim consolidated statements of profit or loss and other comprehensive income (loss) was as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Fuel swap contracts	9,794	520	Current derivative assets	520
Fuel swap contracts	895	(3)	Current derivative liabilities	(3)

The impact of hedged items designated in hedging relationships as of September 30, 2025 on the condensed interim consolidated statement of financial position and the condensed interim consolidated statements of profit or loss and other comprehensive income (loss) was as follows:

	Change in value used for measuring ineffectiveness	Cash flow hedge reserve
Fuel swap contracts	517	517

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11. Financial risk management (continued):

Cash flow hedge reserve (Note 12):

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Hedging gains (losses) recognized in cash flow hedge reserve:				
Fuel swap contracts	1,074	(1,870)	(1,135)	(1,813)
Hedging (gains) losses reclassified from cash flow hedge reserve:				
Fuel swap contracts – Gains recognized in net loss	(732)	18	(789)	(64)
Interest rate forward contracts – Amortization of hedge losses	62	62	124	123
Net change in cash flow hedge reserve	404	(1,790)	(1,800)	(1,754)

12. Continuity of reserves:

Note	Land revaluation reserves	Employee future benefit revaluation reserves	Fuel swap reserves	Interest rate forward contract reserves	Total
Balance as at April 1, 2025	66,179	(10,269)	2,441	(4,728)	53,623
Derivatives designated as cash flow hedge reserves:	10				
Net change in fair value	-	-	(1,135)	-	(1,135)
Realized gains	-	-	(789)	-	(789)
Amortization of losses	-	-	-	124	124
Balance as at September 30, 2025	66,179	(10,269)	517	(4,604)	51,823

13. Net retail:

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Retail revenue	43,005	41,072	74,507	70,856
Cost of goods sold	(15,628)	(14,848)	(27,611)	(26,248)
Net retail	27,377	26,224	46,896	44,608

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14. Fare affordability funding:

On March 31, 2023, the Province and the Group entered into a \$500 million contribution agreement to support achieving fare affordability and GHG emission reduction initiatives during Performance Term 6 ("PT6") which started on April 1, 2024 and ends on March 31, 2028. Installments are expected on September 30th of each year during PT6 although the agreement allows the Group to amend the payment schedule, if needed, to meet the initiatives in the agreement, provided that the combined contribution payments do not exceed the total contribution.

The purpose of the fare affordability initiative is to help safeguard affordability of the ferry fares for all ferry users, with the goal of limiting the annual fare increase during PT6 to around 3%.

In the six months ended September 30, 2025, \$66.9 million (September 30, 2024: \$41.5 million) of the funding was recognized under "Fare affordability funding" in the condensed interim consolidated statements of profit or loss and other comprehensive income (loss).

In September 2025, the Group received a \$100.0 million (September 2024: \$50.0 million) installment payment from the Province and recorded a deferred fare affordability funding of \$14.3 million included in "Current liabilities - Contract liability" (March 31, 2025: contribution receivable of \$18.8 million included in "Trade and other receivable") in the condensed interim consolidated statement of financial position as at September 30, 2025.

15. Operating expenses:

	Three months ended		Six months ended	
	September 30		September 30	
	2025	2024	2025	2024
Salaries, wages and benefits	147,529	146,329	301,404	296,100
Fuel	43,903	50,605	79,088	92,829
Materials, supplies and contracted services	28,182	31,007	66,360	66,216
Other operating expenses	22,568	21,256	45,676	44,033
Depreciation and amortization	50,709	50,816	101,572	99,778
Total operating expenses	292,891	300,013	594,100	598,956

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16. Net finance expense:

	Three months ended		Six months ended	
	September 30		September 30	
	2025	2024	2025	2024
Finance expenses:				
Long-term debt	17,004	16,458	33,530	32,754
Short-term debt	36	201	119	238
Lease liabilities	256	400	519	804
Amortization of bond discounts and deferred financing costs	1,130	785	2,082	1,580
Accretion expense	649	616	1,317	1,232
Interest capitalized in the cost of qualifying assets	(3,131)	(686)	(4,683)	(1,297)
Total finance expenses	15,944	17,774	32,884	35,311
Finance income	(2,152)	(6,167)	(3,440)	(12,628)
Net finance expense	13,792	11,607	29,444	22,683

17. Related party transactions:

In accordance with the Act, the Group is responsible for paying any expenses that are incurred by the Authority, without charge. During the six months ended September 30, 2025, the Group paid \$0.4 million (September 30, 2024: \$0.6 million) of such expenses.

The Province owns the Group's 75,477 non-voting preferred shares but has no voting interest in either the Group or the Authority.

18. Economic effect of rate regulation:

The Group is regulated by the Commissioner to ensure, among other things, that tariffs are fair and reasonable. Under the terms of the Act, the tariffs the Group charges its customers are subject to price caps. The Commissioner may, in extraordinary situations, allow increases in price caps over the set levels.

Under IFRS, the Group is not permitted to recognize its regulatory assets and regulatory liabilities in its consolidated statements of financial position.

Regulatory assets generally represent incurred costs that have been deferred for purposes of rate regulation because they are probable of future recovery in tariffs or fuel surcharges. Regulatory liabilities represent obligations to customers which will be settled through future tariff reductions, fuel rebates, and deferred sale of carbon credits to provide funding for carbon reduction investment projects. Management continually assesses whether the Group's regulatory assets are probable of future recovery by considering such factors as applicable regulatory changes.

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18. Economic effect of rate regulation (continued):

(a) Deferred fuel costs:

As prescribed by regulatory order, the Group defers differences between actual fuel costs and approved fuel costs, which were used to develop the regulated price caps. The Group collects fuel surcharges or provides fuel rebates from time to time, which are applied against deferred fuel cost account balances.

During the six months ended September 30, 2025, the amount receivable from the Province in relation to fuel cost differences was \$0.3 million (September 30, 2024: amount receivable less than \$0.1 million)

As at September 30, 2025, the deferred liability amount was \$5.0 million (March 31, 2025: deferred liability amount \$7.9 million).

(b) Tariffs in excess of price cap:

The Act contains provisions which ensure that if tariffs charged by the Group exceed established price caps for four consecutive quarters, the excess amounts collected will be returned to customers through future tariff reductions. At September 30, 2025, tariffs charged to customers exceeded established price caps by \$1.9 million (March 31, 2025: tariffs were below established price caps).

(c) Carbon Reduction Investment Account:

On April 21, 2022, the Commissioner approved the creation of a Carbon Reduction Investment Account ("CRIA") for a five-year term, subject to application for extension/modification after the end of the term. The CRIA is funded through the sale of Carbon Credits, earned through activities such as its purchase and use of LNG, to partially fund further infrastructure investments identified in its Clean Futures Plan and to progress GHG emission reduction projects. The Group may apply for the discontinuation of CRIA at any time or the Commissioner can terminate it if it is deemed not necessary for funding further capital investments in cleaner technologies that lead to a reduction in GHG emissions or no longer deemed to be in the public interest. If terminated with positive balance, the funds must be returned to the ferry users through the fuel deferral account. The use of the funds is subject to the Commissioner's approval.

During the six months ended September 30, 2025, the Group generated credits for consumed LNG and electrification. As prescribed by regulatory order, the Group defers the net revenue from carbon credits and allocates the funding to the CRIA. As at September 30, 2025, the deferred amount was \$28.1 million (March 31, 2025: \$26.2 million).

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18. Economic effect of rate regulation (continued):

(d) Effect of rate regulation:

If the Group was permitted under IFRS to recognize the effects of rate regulation, the regulatory assets as at September 30, 2025 would have been \$nil (March 31, 2025: \$nil), and the regulatory liabilities would have been \$35.0 million (March 31, 2025: \$34.0 million) on the condensed interim consolidated statements of financial position as detailed below:

Regulatory accounts	September 30, 2025	March 31, 2025
Net Balance as at April 1	(34,038)	(24,187)
Changes in:		
Deferred fuel cost	2,853	(9,644)
Deferred price cap	(1,885)	-
Deferred carbon reduction investment account	(1,893)	(207)
Net Balance	(34,963)	(34,038)
Regulatory liabilities	(34,963)	(34,038)
Net Balance	(34,963)	(34,038)

If the Group were permitted under IFRS to recognize the effect of rate regulation, net earnings for the three months ended September 30, 2025 would have increased by \$8.8 million (September 30, 2024: decreased by \$1.7 million), and for the six months ended September 30, 2025 would have decreased by \$0.9 million (September 30, 2024: decreased by \$7.9 million) as detailed below:

	Three months ended September 30		Six months ended September 30	
Effect of rate regulation on net earnings	2025	2024	2025	2024
Fuel costs (under) over set price	10,250	(993)	3,177	(1,941)
Fuel surcharges	-	(451)	-	(5,751)
Fuel price risk recoveries payable to the Province	(669)	(26)	(324)	(26)
Deferred price cap	(488)	-	(1,885)	-
Deferred carbon reduction investment account	(273)	(207)	(1,893)	(207)
Total increase (decrease) in net earnings	8,820	(1,677)	(925)	(7,925)