

Consolidated Financial Statements of

**HAMILTON-OSHAWA
PORT AUTHORITY**

And Independent Auditor's Report thereon

Year ended December 31, 2025



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hamilton-Oshawa Port Authority

Opinion

We have audited the consolidated financial statements of Hamilton-Oshawa Port Authority (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of income and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

February 18, 2026

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,163,863	\$ 5,670,707
Trade and other receivables (note 5)	3,099,174	5,663,886
Prepaid expenses	422,202	493,137
Inventories (note 6)	506,276	495,891
Current portion of note receivable (note 7)	882,745	93,949
Assets held for sale (note 15)	1,155,167	–
	<u>13,229,427</u>	<u>12,417,570</u>
Note receivables (note 7)	30,693,581	21,468,435
Property and equipment (note 8)	214,826,651	204,225,269
Right-of-use asset (note 14)	18,482,499	9,711,263
Straight-line rent receivable	11,964,012	8,787,176
	<u>\$ 289,196,170</u>	<u>\$ 256,609,713</u>

Liabilities and Equity

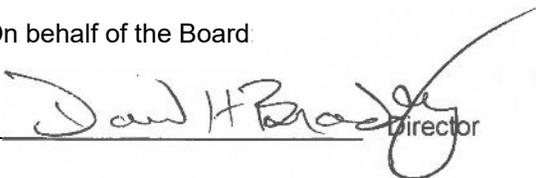
Current liabilities:		
Trade and other payables (note 9)	\$ 16,883,761	\$ 17,604,711
Current portion of long-term debt (note 13)	882,745	93,949
Current portion of lease liability (note 14)	1,218,947	957,651
	<u>18,985,453</u>	<u>18,656,311</u>
Employee benefits (note 10)	3,441,469	3,353,842
Long-term debt (note 13)	32,432,266	20,204,145
Lease liability (note 14)	19,583,489	10,325,099
Deferred revenue	45,000	52,500
	<u>74,487,677</u>	<u>52,591,897</u>
Equity:		
Contributed surplus	26,839,962	26,839,962
Retained earnings	187,204,189	176,940,620
Accumulated other comprehensive income	664,342	237,234
	<u>214,708,493</u>	<u>204,017,816</u>

Commitments and contingencies (note 16)

	<u>\$289,196,170</u>	<u>\$ 256,609,713</u>
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See accompanying notes to the financial statements.

On behalf of the Board



Director



Director

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Revenue from operations:		
Port revenue (note 11)	\$ 49,684,487	\$ 46,910,005
Operating expenses:		
Wages and other employee benefits (note 12)	10,503,285	10,208,270
Repairs and maintenance costs	1,907,077	2,174,951
Payments in lieu of taxes	966,779	936,966
Realty taxes	976,126	715,580
Professional and consulting fees	1,199,630	896,781
Depreciation (notes 8 and 14)	15,024,998	13,137,365
Federal stipend	2,419,348	2,214,622
Other operating and administrative	5,901,825	5,423,526
Impairment loss on trade and other receivables	24,617	32,030
Interest on lease liability (note 14)	1,097,118	629,979
	40,020,803	36,370,070
Income from operations before other income (expense)	9,663,684	10,539,935
Other income (expense):		
Investment income	661,271	503,229
Finance income (note 7)	1,368,880	421,507
Finance costs (note 13)	(1,368,576)	(396,984)
Gain on modification of lease (note 14)	–	529,250
Loss on disposal of property and equipment	(61,690)	(1,432,574)
	599,885	(375,572)
Net income for the year	10,263,569	10,164,363
Other comprehensive income:		
Remeasurement of employee benefits liability (note 10)	427,108	2,542,542
Total comprehensive income for the year	\$ 10,690,677	\$ 12,706,905

See accompanying notes to the financial statements.

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Changes in Equity

Year ended December 31, 2025, with comparative information for 2024

	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2025	\$ 26,839,962	\$ 176,940,620	\$ 237,234	\$ 204,017,816
Net income for the year	–	10,263,569	–	10,263,569
Other comprehensive income	–	–	427,108	427,108
Balance at December 31, 2025	\$ 26,839,962	\$ 187,204,189	\$ 664,342	\$ 214,708,493
Balance at January 1, 2024	\$ 26,839,962	\$ 166,776,257	\$ (2,305,308)	\$ 191,310,911
Net income for the year	–	10,164,363	–	10,164,363
Other comprehensive income	–	–	2,542,542	2,542,542
Balance at December 31, 2024	\$ 26,839,962	\$ 176,940,620	\$ 237,234	\$ 204,017,816

See accompanying notes to the financial statements.

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Net income for the year	\$ 10,263,569	\$ 10,164,363
Adjustments for:		
Depreciation (notes 8 and 13)	15,024,998	13,137,365
Employee benefits expense (note 10)	823,555	938,710
Amounts funded related to employee future benefits (note 10)	(308,820)	(488,170)
Loss on disposal of property and equipment	61,690	1,432,574
Gain on modification of lease	–	(529,250)
Impairment loss on trade and other receivables	24,617	32,030
Increase in straight-line rent receivable	(3,176,836)	(1,456,775)
Deferred revenue	(7,500)	(7,500)
Change in non-cash working capital:		
Decrease in trade and other receivables	2,540,095	246,078
Decrease (increase) in prepaid expenses	70,935	(45,959)
Decrease (increase) in inventories	162,820	(357,664)
Increase (decrease) in trade and other payables	780,026	(653,255)
	26,259,149	22,412,547
Investing activities:		
Issuance of note receivables	(10,101,906)	(21,562,384)
Repayments on note receivables	87,964	–
Purchase of property and equipment (note 8)	(26,961,301)	(25,111,644)
Proceeds on disposal of property and equipment	2,450	110,333
	(36,972,793)	(46,563,695)
Financing activities:		
Lease liability payments	(810,117)	(724,553)
Proceeds from long-term debt	13,016,917	20,298,094
	12,206,800	19,573,541
Increase (decrease) in cash and cash equivalents during the year	1,493,156	(4,577,607)
Cash and cash equivalents, beginning of year	5,670,707	10,248,314
Cash and cash equivalents, end of year	\$ 7,163,863	\$ 5,670,707

See accompanying notes to the financial statements.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements

Year ended December 31, 2025

1. Reporting entity:

Hamilton-Oshawa Port Authority operates pursuant to the Canada Marine Act and in accordance with the Letters Patent issued by the Federal Minister of Transport.

Hamilton-Oshawa Port Authority is a non-share capital corporation established under an act of federal parliament. The address of its registered office is 605 James Street North, Hamilton, Ontario, Canada.

These consolidated financial statements comprise the Hamilton-Oshawa Port Authority and its wholly owned subsidiary, Great Lakes Port Management Inc. (together referred to as the "Authority").

The Authority, managed by a seven-member Board of Directors, operates on a commercial basis and is mandated to be financially self-sufficient. It is engaged to develop the commercial operations at the Ports of Hamilton and Oshawa, including harbour operations, port security, land use planning and maintenance. The Authority also has land holdings in Niagara and supports the recreational use of the Hamilton harbour through its marina operations.

2. Basis of accounting and function and presentation currency:

The Authority prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements were authorized for issuance by the Board of Directors on February 18, 2026.

Details of the Authority's material accounting policies are included in note 3.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements have been prepared under the historical cost convention.

The currency of presentation for these consolidated financial statements is the Canadian dollar, which is also the functional currency of the Authority.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies:

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation:

Subsidiaries are entities controlled by the Hamilton-Oshawa Port Authority. The Hamilton-Oshawa Port Authority controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements include the accounts of the Hamilton-Oshawa Port Authority, its wholly owned subsidiary, Great Lakes Port Management Inc. (GLPM), and GLPM's wholly owned subsidiary, 1001405894 Ontario Inc., incorporated on November 5, 2025. All entities are fully consolidated, and all significant intercompany accounts and transactions have been eliminated on consolidation.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, deposits held with banks and short-term deposits that are immediately callable held by major financial institutions.

(c) Property and equipment:

Property and equipment are stated at acquisition cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of income and comprehensive income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, commencing in the year the asset becomes operational, to allocate the cost over their useful lives. The major classes of property and equipment are depreciated as follows:

Asset	Rate
Buildings	2.5% to 10%
Leasehold improvements	5% to 20%
Docks and services	2% to 33%
Equipment	5% to 33%

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies:

(c) Property and equipment (continued):

The Authority allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of income and comprehensive income in the period of disposal.

Government contributions representing funding and assistance received related to capitalized property and equipment are netted against the related additions. The additions net of the government contributions are amortized to income.

(d) Assets held for sale:

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Assets held for sale are generally measured at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent changes in fair value less costs to sell are recognized in the consolidated statement of income and comprehensive income. Once classified as held for sale, these assets are no longer depreciated.

(e) Leases:

At the inception of a contract, the Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee:

The Authority recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Authority by the end of the lease term or the cost of the right-of-use asset reflects that the Authority will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition,

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(e) Leases (continued):

(i) As a lessee (continued):

the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Authority's incremental borrowing rate.

The Authority determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Authority is reasonably certain to exercise, lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option; and
- Payments of penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in net income if the carrying amount of the right-of-use asset has been reduced to nil.

Leases with a term that is less than 12 months or of low value are expensed as incurred.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(e) Leases (continued):

(ii) As a lessor:

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset

If an arrangement contains lease and non-lease components, then the Authority applies IFRS 15 to allocate the consideration in the contract.

The Authority recognizes lease payments from operating leases as income on a straight-line basis over the lease term. See note 3(h).

(f) Impairment of non-financial assets:

Property and equipment and the right-of-use asset are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognized in net income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is based on the estimate of future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Cash generating units that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Authority evaluates impairment losses for potential reversals whenever events or circumstances warrant such consideration.

(g) Provisions:

Provisions are recognized when the Authority has a present obligation, legal or constructive, as a result of a past event, and it is probable the Authority will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation, and the expected future cash flows are discounted where the effect is material.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(h) Revenue recognition:

Operating lease revenue is recognized on a straight-line basis over the period of the lease, in accordance with IFRS 16. Rent revenue recognized in excess of rent invoices is classified as straight-line rent receivable on the consolidated statement of financial position.

The Authority separately discloses other revenue from tenants in note 11, included in piers and property revenue, which consists of non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants, which are accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. Other revenue from tenants is recognized when the Authority has satisfied its performance obligation by delivering services as agreed upon in the lease agreements to tenants at an amount equal to the component of revenue allocated to such performance obligation.

Harbour revenue includes revenue from wharfage and harbour dues and is recognized as the performance obligation is satisfied at a point in time. Marina revenue includes revenue from slip rentals and boat storage and is recognized as the performance obligation is satisfied over time. GLPM and 1001405894 Ontario Inc. revenue includes management fees and is recognized as the performance obligation is satisfied over time. GLPM revenue also includes operating lease revenue and piers and property revenue and is recognized and disclosed on the same basis as The Authority.

(i) Contributed surplus:

The Authority was incorporated without share capital. Assets gifted to or expropriated from the Authority by the Government of Canada are treated as increases to and reductions of contributed surplus, respectively.

(j) Employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Authority has three pension plans. For employees hired before July 1, 2011, a defined benefit plan and a supplemental employee retirement plan exist, and for employees hired after July 1, 2011, a defined contribution plan is available.

The Authority's net obligation in respect of defined benefit plans is calculated separately for each plan.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(j) Employee benefits (continued):

The costs of pension and other retirement benefits earned by employees are actuarially determined using the projected benefits method, pro-rated on service and using management's best estimate assumptions reflecting salary escalation, retirement ages of members, expected health-care costs and other actuarial factors. The pension payable to an employee is based on length of service and average earnings. Under the defined contribution plan, employees may contribute certain amounts annually with the Authority subject to regulated limitations.

The liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets, together with the adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid and have terms to maturity approximating the terms of the related pension liability. The liability recognized in the consolidated statement of financial position for the registered pension plan also considers the minimum funding requirements as per the limit required per paragraph 64 of International Accounting Standard 19, Employee Benefits.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The current service cost, the recognized element of any past-service cost and the interest expense arising on the pension liability are included in the same line items in the consolidated statement of income and comprehensive income as the related compensation cost. Past-service costs are recognized immediately into net income to the extent the benefits are vested and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

The cost of the defined contribution pension plan is charged to wages and other employment benefit expenses as the contributions become payable.

(k) Payments in lieu of municipal taxes:

Payments in lieu of municipal taxes are based on municipal assessments adjusted in accordance with the Federal Payments in Lieu Act. This amount is included in operating expenses in the consolidated statement of income and comprehensive income.

In accordance with a settlement agreement between Transport Canada, the Oshawa Port Authority (continued as the Authority) and the City of Oshawa dated July 15, 2010, the City of Oshawa agreed to waive annual payments in lieu of taxes through to January 25, 2027.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(l) Federal stipend:

In order to maintain its letters patent in good standing, the Authority is required to annually pay to Transport Canada a charge on gross revenue, which is calculated as follows:

Gross revenue	Charge
Up to \$10,000,000	2%
On the next \$10,000,000	4%
On the next \$40,000,000	6%
On the next \$10,000,000	4%
Over \$70,000,000	2%

This amount is included in operating expenses in the consolidated statement of income and comprehensive income.

(m) Income taxes:

The Authority is exempt from income taxes under Section 149(1)(d) of the Income Tax Act (Canada).

(n) Financial instruments:

Financial assets and liabilities are recognized when the Authority becomes a party to the contractual provisions of the instrument.

(i) Classification:

The Authority classifies its financial instruments in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through net income); and
- those to be measured at amortized cost.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(n) Financial instruments (continued):

(ii) Initial and subsequent recognition:

Financial assets at amortized cost

Financial assets at amortized cost include cash and cash equivalents and trade and other receivables. At initial recognition, the Authority measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through net income, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A trade or other receivable without a significant financing component is initially measured at the transaction price. Subsequently, cash and cash equivalents and trade and other receivables are measured at amortized cost using the effective interest method. Trade and other receivables are classified as current assets if payment is due within 12 months. Otherwise, they are represented as non-current assets.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade and other payables. At initial recognition, the Authority measures the financial liability at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within 12 months. Otherwise, they are represented as non-current liabilities.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

(iii) Impairment:

The Authority assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. For trade and other receivables, the Authority applies the simplified approach permitted by IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognized at the time of initial recognition of the receivables. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(n) Financial instruments (continued):

(iii) Impairment (continued):

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulty of the obligor, delinquencies in payments and when it becomes probable the borrower will enter bankruptcy or other financial reorganization.

(o) New accounting standards issued and not yet effective:

(i) Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued *Amendments to the Classification and Measurement of Financial Instruments* which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted, and are related to:

- settling financial liabilities using electronic payment systems; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Authority will be assessing the impact of the new amendments.

(ii) IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key requirements:

- entities are required to classify all income and expenses into five categories in the statement of income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net income will not change.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

3. Summary of material accounting policies (continued):

(o) New accounting standards issued and not yet effective (continued):

(ii) IFRS 18 Presentation and Disclosures in Financial Statements (continued)

- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Authority will be assessing the impact of the new standard, particularly with respect to the structure of the Authority's statement of income, statement of cash flows and the additional disclosure required for MPMs.

4. Use of judgements and estimates:

In preparing these consolidated financial statements, management has made judgments and estimates about the future that affect the application of the Authority's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

The following discusses the most significant accounting judgments and estimates that the Authority has made in the preparation of the consolidated financial statements.

Note 8 – Property and equipment

The Authority determines the useful lives of property and equipment based on the expected utility and usage of the assets.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

4. Use of judgements and estimates (continued):

Note 10 - Employee benefits

Due to the nature of employee benefit obligations, a considerable part of their determination is based on estimates and/or judgments, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated obligations. Hence, the differences between actual outcomes and the recorded obligations can impact results over the periods involved. The timing of the outflow of resources to settle these obligations is subject to the same uncertain factors. For the sensitivity of employee benefit obligations, refer to note 10. Each sensitivity analysis included in note 10 is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the consolidated statement of financial position.

In the case of the funded plans, the Authority ensures the investment positions are managed within an asset liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Authority's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Authority actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Authority has not changed the processes used to manage its risks from previous periods. The Authority does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A portion of the assets in 2025 consist of fixed income instruments, with smaller allocation to equities. The Authority considers fixed income instruments to provide more stable and predictable returns, which better aligns with the long-term nature of plans' liabilities. The plans are not exposed to significant foreign currency risk.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

4. Use of judgements and estimates (continued):

Note 14 – Right-of-use asset and lease liability

The Authority enters into various types of contracts and uses significant judgment when determining whether a contract contains an identified asset and whether the Authority has the right to control the use of the identified asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and is within the control of the Authority as a lessee.

In determining the carrying amount of the right-of-use asset and lease liability, the Authority is required to estimate the incremental borrowing rate specific to the leased asset if the interest rate implicit in the lease is not readily determined. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

Note 15 – Assets held for sale

In assessing whether an asset meets the criteria to be classified as held for sale, management is required to apply judgment in evaluating whether a sale is highly probable and whether the asset is available for immediate sale in its present condition. Measurement of an asset held for sale also involves estimation, as the carrying amount is compared to the asset's fair value less costs to sell. Determining fair value requires the use of assumptions regarding market conditions, expected selling price, and estimated disposal costs. Changes in these assumptions may have a significant impact on the measurement of the asset held for sale.

Note 17(c) – Allowance for impairment

The Authority determines the expected credit losses related to trade and other receivables on a forward-looking basis.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

5. Trade and other receivables:

	2025	2024
Trade and other receivables	\$ 3,181,472	\$ 5,772,175
Allowance for impairment (note 17(c))	(82,298)	(108,289)
	\$ 3,099,174	\$ 5,663,886

6. Inventories:

	2025	2024
Port security access cards	\$ 71,104	\$ 112,842
Materials and supplies	619,895	621,359
	690,999	734,201
Allowance for impairment	(184,723)	(238,310)
	\$ 506,276	\$ 495,891

In 2025, inventories of \$290,801 (2024 - \$347,186) were recognized as an expense during the year.

During 2025, the allowance for impairment of inventories was reduced, resulting in an increase in inventories of \$53,587 (2024 – write-down of \$9,847). The reduction in the allowance reflects a decrease in aged and obsolete inventory during the year and represents a reversal of a prior write-down to net realisable value, as the conditions giving rise to the impairment no longer existed. The reversal was recognized in net income and is included in other operating and administrative expenses.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

7. Note receivables:

	2025	2024
Note receivable from tenant (a)	\$ 30,978,000	\$ 20,876,094
Other third parties	598,326	686,290
	31,576,326	21,562,384
Less: current portion	882,745	93,949
	\$ 30,693,581	\$ 21,468,435

(a) In 2024, the Authority issued a note receivable to a tenant, stipulating that the Authority will provide funds for a percentage of the invoices incurred relating to a capital project, to be repaid by the tenant. The note receivable allowed for an initial 18-month interest only period. The interest rate is the prime rate, and the interest earned by the Authority on the note receivable is used to recover the interest expense on the long-term debt (note 13).

During the year, additional draws totaling \$10.1 million were advanced in relation to the note receivable from the tenant. In November 2025, the terms of the note receivable were amended to extend the interest-only period from 18 months to 21 months.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

8. Property and equipment:

Reconciliation of the net carrying amount of each class of property and equipment is summarized below:

	Land	Buildings and leasehold improvements	Docks and services	Equipment	Capital development- in-progress	Total
January 1, 2024						
Cost	\$ 48,693,163	\$ 128,102,420	\$ 153,641,408	\$ 17,866,110	\$ 6,568,927	\$ 354,872,028
Accumulated depreciation	–	(70,737,761)	(82,270,497)	(13,205,664)	–	(166,213,922)
Net carrying amount	48,693,163	57,364,659	71,370,911	4,660,446	6,568,927	188,658,106
Year ended December 31, 2024						
Additions, net	1,300,306	6,614,842	16,157,307	919,681	3,919,508	28,911,644
Disposals - cost	–	(134,773)	(1,673,418)	(371,349)	–	(2,179,540)
Disposals - accumulated depreciation	–	–	301,130	335,504	–	636,634
Depreciation	–	(4,418,428)	(6,338,456)	(1,044,691)	–	(11,801,575)
	1,300,306	2,061,641	8,446,563	(160,855)	3,919,508	15,567,163
Net carrying amount	\$ 49,993,469	\$ 59,426,300	\$ 79,817,474	\$ 4,499,591	\$ 10,488,435	\$ 204,225,269
January 1, 2025						
Cost	\$ 49,993,469	\$ 134,582,489	\$ 168,125,297	\$ 18,414,442	\$ 10,488,435	\$ 381,604,132
Accumulated depreciation	–	(75,156,189)	(88,307,823)	(13,914,851)	–	(177,378,863)
Net carrying amount	49,993,469	59,426,300	79,817,474	4,499,591	10,488,435	204,225,269
Year ended December 31, 2025						
Additions, net	856,373	4,422,270	17,839,315	2,182,848	159,519	25,460,325
Reclassification to assets held for sale	–	(1,195,000)	–	–	–	(1,195,000)
Transfers to inventory	–	–	–	–	(173,205)	(173,205)
Disposals - cost	–	–	–	(176,158)	–	(176,158)
Disposals - accumulated depreciation	–	–	–	112,018	–	112,018
Accumulated depreciation – asset held for sale	–	39,833	–	–	–	39,833
Depreciation	–	(4,635,252)	(7,869,262)	(961,917)	–	(13,466,431)
	856,373	(1,368,149)	9,970,053	1,156,791	(13,686)	10,601,382
Net carrying amount	\$ 50,849,842	\$ 58,058,151	\$ 89,787,527	\$ 5,656,382	\$ 10,474,749	\$ 214,826,651
December 31, 2025						
Cost	\$ 50,849,842	\$ 137,809,759	\$ 185,964,612	\$ 20,421,132	\$ 10,474,749	\$ 405,520,094
Accumulated depreciation	–	(79,751,608)	(96,177,085)	(14,764,750)	–	(190,693,443)
Net carrying amount	\$ 50,849,842	\$ 58,058,151	\$ 89,787,527	\$ 5,656,382	\$ 10,474,749	\$ 214,826,651

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

8. Property and equipment (continued):

The Authority continues to advance the Randle Reef Sediment Remediation Project (the Project) in partnership with Environment Canada, the Ontario Ministry of the Environment, the City of Hamilton, the City of Burlington and Stelco Holdings Inc. (formerly US Steel Canada). In September 2013, an important milestone was reached with the partners announcing that all legal agreements to fund and implement the Project had been executed. A project contractor commenced in 2015 to enable the construction of the contain-and-cap facility. To date, \$10.5 million (2024 - \$10.5 million) has been contributed by the Authority and is reflected in capital development-in-progress within property and equipment. There was a cash commitment of \$0.16 million (2024 - \$3.9 million) made in 2025 relating to the Project.

Included within purchases of property and equipment during the fiscal year of \$25.3 million are approximately \$3.5 million (2024 - \$5.0 million) of additions that have not yet been paid for.

In 2024, the Authority wrote off \$1.3 million related to additional emergency dredging required in Oshawa due to extreme weather. During 2022, the Authority completed a major capital and maintenance dredging contract to restore draft in the Port of Oshawa and to widen the approach channel in Lake Ontario in an effort to improve navigation safety. Following the completion of this work, a major winter storm affected Lake Ontario at the end of 2022. During 2023, the Authority conducted an emergency dredging project to open a narrow passage so vessels could berth at the Port of Oshawa for the 2023 shipping season. The Authority conducted subsequent studies and a survey identified additional sediment deposited in the channel. The Authority conducted dredging of the area during 2024 to restore the channel. There were no additional dredging costs incurred in 2025.

During the year, the Authority reclassified \$1,195,000 of current year additions to assets held for sale. See note 15.

9. Trade and other payables:

	2025	2024
Trade payables	\$ 2,852,677	\$ 5,629,619
Accrued expenses	8,419,746	6,825,337
Deferred revenue - current	2,136,274	1,911,223
Security deposits	3,475,064	3,238,532
	<u>\$ 16,883,761</u>	<u>\$ 17,604,711</u>

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Employee benefits:

The Authority has a defined benefit pension plan (pension benefit plan), a supplemental employee retirement plan (SERP), a non-pension post-retirement benefit plan (other benefit plan) and a defined contribution plan.

Certain information with respect to these plans is provided below.

Pension benefit plan, SERP and other benefit plan

The Authority operates defined benefit pension plans in Canada based on employee pensionable earnings and length of service. The pension benefit plan was closed to new members effective June 30, 2011.

The majority of benefit payments are from trustee administered funds; however, there is also an unfunded plan where the Authority meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice. Responsibility for governance of the plans and overseeing all aspects of the plans, including investment decisions and contribution schedules, lies with the Authority. The Authority has set up a Pension Committee to assist in the management of the plans and has also appointed experienced, independent professional experts, such as investment managers, actuaries, custodians and trustees.

The amounts recognized in the consolidated statement of financial position are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2025	2024	2025	2024
Present value of funded obligations	\$ 18,795,068	\$ 18,512,260	\$ –	\$ –
Fair value of plan assets	(21,645,707)	(20,676,824)	–	–
Impact of asset ceiling	1,529,979	1,176,260	–	–
Surplus of funded plan	(1,320,660)	(988,304)	–	–
Present value of unfunded obligations	4,394,629	3,973,846	367,500	368,300
Net defined employee benefit liability	\$ 3,073,969	\$ 2,985,542	\$ 367,500	\$ 368,300

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Employee benefits (continued):

The movement in the defined benefit obligation is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2025	2024	2025	2024
As at January 1	\$ 22,486,106	\$ 21,828,692	\$ 368,300	\$ 471,200
Current service cost	641,800	657,364	1,300	9,100
Interest cost on obligations	1,065,682	1,026,803	17,000	22,000
Actuarial gain	(96,262)	(313,406)	(9,400)	(123,400)
Benefits paid	(907,629)	(713,347)	(9,700)	(10,600)
As at December 31	\$ 23,189,697	\$ 22,486,106	\$ 367,500	\$ 368,300

The movement in the fair value of the plan assets are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2025	2024	2025	2024
As at January 1	\$ 20,676,824	\$ 19,107,874	\$ –	\$ –
Interest income on plan assets	957,511	881,135	–	–
Actual return on plan assets less interest cost	619,881	923,592	–	–
Employer contributions	299,120	477,570	9,700	10,600
Benefits paid	(907,629)	(713,347)	(9,700)	(10,600)
As at December 31	\$ 21,645,707	\$ 20,676,824	\$ –	\$ –

The movement in the effect of the asset ceiling is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2025	2024	2025	2024
As at January 1	\$ 1,176,260	\$ 2,253,826	\$ –	\$ –
Change in limit on minimum funding obligation	353,719	(1,077,566)	–	–
As at December 31	\$ 1,529,979	\$ 1,176,260	\$ –	\$ –

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Employee benefits (continued):

Plan assets, the majority of which are funding the Authority's defined pension plans, comprise the following:

	2025		2024	
	Unquoted	%	Unquoted	%
Equity instruments:				
Canadian equity funds	\$ 1,584,797	7	\$ 2,894,755	14
Foreign equity funds	3,161,134	15	5,996,279	29
	4,745,931	22	8,891,034	43
Fixed income instruments:				
Bond funds	9,734,854	45	5,789,511	28
Long-term funds	7,164,922	33	5,789,511	28
	16,899,776	78	11,579,022	56
Money market	–	–	206,768	1
	\$ 21,645,707	100	\$ 20,676,824	100

The amounts recognized in net income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2025	2024	2025	2024
Current service cost	\$ 641,800	\$ 657,364	\$ 1,300	\$ 9,100
Interest cost of obligations	1,065,682	1,026,803	17,000	22,000
Interest income on plan assets	(957,511)	(881,135)	–	–
Interest cost on limit on amount recognized	55,284	104,578	–	–
Total included in wages and other employee benefits expense	\$ 805,255	\$ 907,610	\$ 18,300	\$ 31,100

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Employee benefits (continued):

The amounts recognized in other comprehensive income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2025	2024	2025	2024
Actual return on plan assets less interest income	\$ 619,881	\$ 923,592	\$ –	\$ –
Actuarial gain (loss) arising from:				
Experience adjustment	(641,250)	133,839	–	121,700
Changes in financial assumption	737,512	179,567	9,400	1,700
Impact of asset ceiling	(298,435)	1,182,144	–	–
Other comprehensive income	\$ 417,708	\$ 2,419,142	\$ 9,400	\$ 123,400

The principal actuarial assumptions are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2025	2024	2025	2024
Defined benefit obligation as at December 31:				
Discount rate	4.94%	4.70%	4.90%	4.70%
Future salary increases	3.50%	3.50%	n/a	n/a
Benefit costs for years ending December 31				
Discount rate	4.94%	4.70%	4.90%	4.70%
Future salary increases	3.50%	3.50%	n/a	n/a

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Employee benefits (continued):

A sensitivity analysis of the Authority's defined benefit pension plans at December 31, 2025 are as follows:

	Impact on pension benefit plan and SERP		Impact on other benefit plan	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
0.5% change in discount rate	(6.20)%	(6.30)%	(7.00)%	(6.50)%
0.5% change in salary growth rate	1.20%	1.30%	n/a	n/a
0.5% change in life expectancy	(0.80)%	(0.90)%	(0.60)%	(0.60)%

Expected contributions to pension benefit plans for the year ended December 31, 2025 are \$122,678 (2024 - \$374,186). As at December 31, 2025, the accumulated remeasurement of the employee benefit liability recognized in accumulated other comprehensive income is \$664,342 (2024 - \$237,234).

The Authority's actuary prepares annual measurements of the plans' assets and accrued benefit obligations using January 1 as a measurement date and extrapolating to December 31. Full actuarial valuations for funding purposes are prepared every three years. The most recent valuations and supplementary plan for funding purposes were completed as at December 31, 2024 for the SERP and pension benefit plan, and as at December 31, 2023 for the other benefit plan. The next valuations of these plans for funding purposes will be as at December 31, 2027 for the SERP and pension benefit plan, and as at December 31, 2026 for the other benefit plan.

Through its defined benefit plans, the Authority is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform, a deficit will be created.

The plans' investments are currently allocated primarily to fixed-income instruments to help provide greater stability in the near term. Management has indicated that this asset mix is expected to evolve over time as the plans continue to mature and as market conditions and funding considerations develop. As the plans mature, the Authority intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

Given the long-term nature of the Authority's plan liabilities and the strength of the supporting group, a focus on high-quality fixed income assets is considered appropriate at this time, while recognizing that the longer-term strategic mix may change as circumstances warrant.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Employee benefits (continued):

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation; higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plans against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The expected maturity analysis of the undiscounted pension plans is presented below:

	Less than a year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Pension benefit plan and SERP	\$ 854,100	\$ 1,015,600	\$ 3,713,700	\$ 55,230,700	\$ 60,814,100
Other benefit plan	20,100	21,400	67,900	641,100	750,500
As at December 31, 2025	\$ 874,200	\$ 1,037,000	\$ 3,781,600	\$ 55,871,800	\$ 61,564,600

Defined contribution plan

Employer contributions to the defined contribution plan were \$304,669 (2024 - \$250,252).

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

11. Port revenue:

	2025	2024
Piers and property	\$ 35,970,154	\$ 34,195,388
Straight-line rent revenue	3,176,836	1,456,773
Harbour	4,391,082	4,540,811
Marina	2,880,141	3,032,487
GLPM	3,266,274	3,684,546
	<u>\$ 49,684,487</u>	<u>\$ 46,910,005</u>

Included within piers and property revenue are amounts related to lease arrangements as follows:

	2025	2024
Base rent	\$ 33,334,260	\$ 31,815,569
Other revenue from tenants (a)	2,635,894	2,379,819
	<u>\$ 35,970,154</u>	<u>\$ 34,195,388</u>

(a) Non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants are identified within other revenue. Other revenue from tenants includes charges for the following services: garbage, janitorial, pest control, window cleaning, security, utilities and maintenance.

12. Wages and other employee benefits:

	2025	2024
Salaries and wages (including termination benefits)	\$ 8,063,810	\$ 7,757,723
Pension costs - Defined contribution plan	304,669	250,252
Pension costs - Defined benefit and SERP plans	805,255	907,610
Pension costs - Other benefit plan	18,300	31,100
Other benefit costs	1,311,251	1,261,585
	<u>\$ 10,503,285</u>	<u>\$ 10,208,270</u>

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

12. Wages and other employee benefits (continued):

Compensation of key management

The following disclosure is required pursuant to the Port Authority's Management Regulations. The total remuneration includes all Board of Directors, the Chief Executive Officer and employees exceeding \$266,416 per year.

Name	Title	Salaries	Taxable benefits	Total 2025	Total 2024
Bradley, David	Director	\$ 30,900	\$ –	\$ 30,900	\$ 29,000
Davis, Meghan	Director	30,000	–	30,000	30,000
DiGregorio, Nancy	Director	26,950	–	26,950	20,750
Dunn, Jeremy	VP, Operations	297,740	2,434	300,174	–
Fitzgerald, William	VP, Strategic Development	287,328	2,339	289,667	–
Hamilton, Ian	President and CEO	675,784	2,979	678,763	587,479
Knight, Janet	Executive Vice President	–	–	–	347,020
Loomis, Christopher	Director	30,900	–	30,900	29,000
Puckering, Catherine	Director	5,267	–	5,267	–
Waldes, Anne	Director	35,000	–	35,000	35,000
		\$1,419,869	\$ 7,752	\$1,427,621	\$1,078,249

13. Long-term debt:

In 2024, the Authority entered into a credit facility agreement to finance one of their tenant's capital projects on the Authority's property. The Authority was authorized to draw up to \$26 million against this facility. The credit facility agreement was amended in January 2025 to authorize the Authority to draw up to an additional \$15 million. The credit facility bears interest at the prime rate and was initially structured with an 18-month interest-only period. In November 2025, the terms of the credit facility were further amended to extend the interest-only period from 18 months to 21 months, after which the credit facility will rollover into a committed loan facility. The committed loan facility will have an amortization period of 20 years for borrowings related to the tenant's capital projects, and 10 years for general leaseholds or equipment, with the first installment coming due in February 2026, following the interest-only period. As such, the loan has been classified as long-term, with a short-term portion reflecting the expected principal repayments due in the next 12 months. The debt is secured by an assignment of leases and equipment contracts, a progress payment agreement with the Authority's tenant, and a specific assignment of insurance. The Authority is required to comply with certain financial covenants, which have been met as of December 31, 2025.

The interest costs of \$1,368,576 (2024 - \$396,984) related to the debt was paid by the Authority and \$1,368,880 (2024 - \$421,507) was recovered from a tenant through a note receivable (note 7).

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

13. Long-term debt (continued):

Future principal payments required on all long-term debt for the next five years and thereafter are as follows:

2026	\$	882,745
2027		1,160,152
2028		1,299,313
2029		1,357,034
2030		1,417,323
Thereafter		27,198,444
		<hr/>
		33,315,011
Less: current portion		882,745
		<hr/>
	\$	32,432,266

14. Right-of-use asset and lease liability:

The Authority has a property lease through its subsidiary, GLPM. In 2024, the property was sold to another entity, which resulted in a modification of the lease. The Authority entered into an amended lease with the new owner in 2024, in which the demised property to be leased was reduced, and the lease term was extended from 5 years to 10 years. As such, the Authority accounted for these changes as a lease modification in the prior year. Under the amended lease, the Authority, or any sub-tenants, are required to make capital improvements to the demised property in the minimum amount of \$10 million before the end of the lease term on June 30, 2034. To date, \$1.2 million of capital improvements has been made by the Authority.

In March 2025, the Authority, through GLPM, entered into a new lease for an additional piece of property, resulting in the recognition of a new right-of-use asset and corresponding lease liability.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

14. Right-of-use asset and lease liability (continued):

The right-of-use asset is reflected in the consolidated statement of financial position as follows:

	2025	2024
Opening cost at January 1	\$ 11,988,378	\$ 7,224,126
Accumulated depreciation	(2,277,115)	(1,565,227)
Opening net carrying amount at January 1	\$ 9,711,263	\$ 5,658,899
Adjustment for change in scope of lease - cost	-	(1,970,217)
Adjustment for change in scope of lease - accumulated depreciation	-	623,902
Adjustment for modification of lease	-	6,734,469
Additions	10,329,803	-
Depreciation	(1,558,567)	(1,335,790)
Net carrying amount at December 31	\$ 18,482,499	\$ 9,711,263

The contractual undiscounted cash flows of the Authority's lease liability are as follows:

	2025	2024
No later than 1 year	\$ 2,419,192	\$ 1,711,768
Later than 1 year and not later than 5 years	10,486,533	7,341,176
Later than 5 years	17,331,922	5,774,464
Total undiscounted lease liability at December 31	\$ 30,237,647	\$ 14,827,408

The discounted lease liability is reflected in the consolidated statement of financial position as follows:

	2025	2024
Current	\$ 1,218,947	\$ 957,651
Non-current	19,583,489	10,325,099
Carrying value of lease liability at December 31	\$ 20,802,436	\$ 11,282,750

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

14. Right-of-use asset and lease liability (continued):

At the inception of the original lease, the lease liability was measured at the present value of the remaining lease payments, discounted using the Authority's incremental borrowing rate of 6.5% as of December 1, 2022. The right-of-use asset was measured at the amount equal to the lease liability. There was no prepaid rent or accrued lease payments relating to this lease that would have required an adjustment to the right-of-use asset at the date of initial applications. Through the lease modification in 2024, the incremental borrowing rate increased to 6.95%. The adjustment to the right-of-use asset due to the modification of the lease was \$5,388,154, including the change in scope of lease.

At the inception of the new lease entered into in 2025, the lease liability was measured at the present value of the remaining lease payments, discounted using the Authority's incremental borrowing rate of 4.95% as of May 1, 2025. The right-of-use asset was measured at the amount equal to the lease liability. There was no prepaid rent or accrued lease payments relating to this lease that would have required an adjustment to the right-of-use asset at the date of initial applications.

Amounts recognized in the consolidated statement of income and comprehensive income are as follows:

	2025	2024
Interest expense on lease liability	\$ 1,097,118	\$ 629,979
Expenses relating to leases of low-value assets	11,372	8,760
Gain on modification of lease	–	529,250
	<u>\$ 1,108,490</u>	<u>\$ 1,167,989</u>

The lease liability is reflected in the consolidated statement of financial position as follows:

	2025	2024
Balance at January 1	\$ 11,282,750	\$ 7,148,398
Principal payments on lease liability	(810,117)	(724,552)
Adjustment for change in scope of lease	–	(1,875,565)
Adjustment for modification of lease	–	6,734,469
Adjustment for new lease	10,329,803	–
Balance at December 31	<u>\$ 20,802,436</u>	<u>\$ 11,282,750</u>

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

14. Right-of-use asset and lease liability (continued):

Operating leases - lessor

The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	2025	2024
No later than 1 year	\$ 29,272,653	\$ 27,331,018
Year 2	27,567,452	24,594,817
Year 3	24,753,520	22,286,377
Year 4	21,992,544	19,513,866
Year 5	17,780,567	17,198,845
Later than 5 years	71,825,537	67,296,411
	<u>\$ 193,192,273</u>	<u>\$ 178,221,334</u>

15. Assets held for sale:

In August 2025, the Authority acquired certain operational assets from a tenant in order to safeguard port operations and mitigate risks associated with abandoned infrastructure. Following a detailed assessment, management determined that the assets were not strategic to the Authority's long-term objectives and subsequently approved a plan to sell them.

The assets meet the criteria for classification as held for sale under IFRS 5, as they are available for immediate disposal and the sale is considered highly probable. As at the reporting date, negotiations with a prospective buyer were in progress.

Upon classification as held for sale, the assets were measured at the lower of their carrying amount and fair value less costs to sell, and depreciation was discontinued. No impairment loss was recognized on classification.

The assets are presented separately in the statement of financial position. As at year-end, there were no changes to the plan to sell, and no subsequent events occurred that would affect their classification as held for sale.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

16. Commitments and contingencies:

(a) The Authority has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

(b) The Authority has an aggregate borrowing limit of \$100 million (2024 - \$100 million). Borrowing is defined in section 9.3 of the Letters Patent.

The Authority has a \$7.5 million credit demand facility available, which has not been drawn on as at December 31, 2025.

(c) The Authority has letters of credit with the City of Hamilton of \$128,752 and \$1,585,424 and an additional letter of credit with Region of Durham of \$86,700 as at December 31, 2025.

17. Financial instruments:

The carrying amounts of cash and cash equivalents, trade and other receivables, note receivables, trade and other payables, and long-term debt are recorded at carrying amounts, which approximate fair value.

(a) Fair values, including valuation methods and assumptions:

The following table summarizes the fair value of financial assets and liabilities as at December 31:

	2025	2024
Assets:		
Cash and cash equivalents	\$ 7,163,863	\$ 5,670,707
Trade and other receivables	3,099,174	5,663,886
Note receivables	31,576,326	21,562,384
Liabilities		
Trade and other payables	16,883,761	17,604,711
Long-term debt	33,315,011	20,298,094

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

17. Financial instruments (continued):

(b) Market risk:

(i) Foreign exchange risk:

The Authority is not exposed to foreign exchange risk fluctuations.

(ii) Price risk:

The Authority is not exposed to price risk.

(iii) Interest risk:

The Authority's exposure to general levels of interest and interest rate risk is limited to outstanding drawings on the demand credit facility, its long-term debt and the issuance of note receivables. The exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of the impact.

(c) Credit risk:

The Authority's exposure to concentration of credit risk is limited. The Authority places its cash and cash equivalents with major Canadian financial institutions of high creditworthiness. Credit risk associated with trade and other receivables is minimized, as the Authority performs credit assessments for new customers, monitors the aging of trade and other receivables and contacts debtors regarding payment history. The maximum exposure to credit risk as at the reporting date is the carrying value of trade and other receivables. The fair value of trade and other receivables and trade and other payables approximates their carrying value due to their short-term maturity. Credit risk associated with note receivables is minimized, as the Authority monitors the payments and requires progress draws in order to advance additional funds.

No financial assets are past due except for certain trade and other receivables. As at December 31, 2025, trade and other receivables of \$2,006,597 (2024 - \$2,462,527) were current, \$1,092,577 (2024 - \$3,201,359) were past due but not impaired and \$82,298 (2024 - \$108,289) were impaired.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

17. Financial instruments (continued):

(c) Credit risk (continued):

The aging analysis of the two categories of receivables is as follows:

	2025	2024
Trade and other receivables:		
Current (less than 30 days)	\$ 2,006,597	\$ 2,462,527
Past due but not impaired (over 30 days)	1,092,577	3,201,359
Impaired	82,298	108,289
Past due but not impaired:		
Up to 3 months	351,022	737,283
3 to 6 months	741,555	2,464,076
Impaired:		
More than 6 months	82,298	108,289

The following table summarizes the changes in the allowance for impairment for trade and other receivables:

	2025	2024
Allowance for impairment:		
Balance at January 1	\$ 108,289	\$ 93,960
Net remeasurement of loss allowance	24,617	32,030
Trade and other receivables written off during the year	(50,608)	(17,701)
Balance at December 31	\$ 82,298	\$ 108,289

In the current geopolitical environment, heightened uncertainties, including the potential imposition of new tariffs or changes to existing trade agreements and supply chain disruptions, may impact the financial condition of our customers, particularly those in industries reliant on international trade. These factors could lead to delays in payments, increased credit losses, or reduced demand for services. These conditions are dynamic and the ultimate magnitude of the impact on the economies to which the Authority operates in and the financial effect on the Authority are not known at this time.

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

17. Financial instruments (continued):

(d) Liquidity risk:

Cash flow forecasting is performed to monitor the Authority's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times.

Surplus cash held by the Authority over and above balances required for working capital management is invested in callable interest-bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The Authority's financial liabilities consist of trade and other payables in the amount of \$3,464,854 (2024 - \$6,244,750), which have a contractual maturity of three months or less. Long-term debt in the amount of \$33,315,011 (2024 - \$20,298,094) is also included in the Authority's financial liabilities, which has an amortization period of up to 20 years.

18. Capital management:

The Authority manages its capital and credit facility availability to ensure the Authority has adequate financial structure and borrowing capacity to allow for financial flexibility and sufficient liquidity. This may require the Authority to establish new credit facilities as needed. The Authority monitors its generation of cash from operations and available credit as part of its overall assessment.