Unaudited Interim Condensed Consolidated Financial Statements of

NAV CANADA

Three months ended November 30, 2016 and 2015

NAV CANADA

Interim Condensed Consolidated Statements of Operations (unaudited)

Three months ended November 30

(millions of Canadian dollars)

	Notes	2016	2015
Revenue			
Customer service charges		$ 315	$ 324
Other revenue		17	18
		332	342
Operating expenses			
Salaries and benefits		219	203
Technical services		30	30
Facilities and maintenance		18	16
Depreciation and amortization	6, 7	36	35
Other		18	12
		321	296
Other (income) and expenses			
Finance income		(16)	(3)
Net interest costs relating to employee benefits	5	14	11
Other finance costs	8	31	25
Other gains		(7)	(3)
		22	30
Net income (loss) before income tax and net movement in regulatory deferral accounts		(11)	16
Income tax expense		1	-
Net income (loss) before net movement in regulatory deferral accounts		(12)	16
Net movement in regulatory deferral accounts related to net income (loss), net of tax	3	12	(18)
Net income (loss) after net movement in regulatory deferral accounts		$ -	$ (2)

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA

Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)

Three months ended November 30

(millions of Canadian dollars)

	Notes	2016	2015
Net income (loss) after net movement in regulatory deferral accounts		$ -	$ (2)
Other comprehensive income (loss)			
Items that will not be reclassified to income or (loss):			
Re-measurements of employee defined benefit plans	5	318	117
Net movement in regulatory deferral accounts related to other comprehensive income	3	(318)	(117)
		-	-
Items that will be reclassified to income or (loss):			
Changes in fair value of cash flow hedges		36	(11)
Net movement in regulatory deferral accounts related to other comprehensive income	3	(36)	11
		-	-
Total other comprehensive income (loss)		-	-
Total comprehensive income (loss)		$ -	$ (2)

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA

Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)

	Notes	November 30 2016	August 31 2016
Assets			
Current assets			
Cash		$ 224	$ 119
Accounts receivable and other		95	107
Investments	9	304	373
Other		11	10
		634	609
Non-current assets			
Investment in preferred interests	4, 9	301	291
Property, plant and equipment	6	664	664
Intangible assets	7	948	953
		1,913	1,908
Total assets		2,547	2,517
Regulatory deferral account debit balances	3	1,355	1,708
Total assets and regulatory deferral account debit balances		$ 3,902	$ 4,225

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA

Interim Condensed Consolidated Statements of Financial Position (unaudited)

(millions of Canadian dollars)

	Notes	November 30 2016	August 31 2016
Liabilities			
Current liabilities			
Trade and other payables		$ 213	$ 202
Deferred revenue		5	6
Current portion of long-term debt	8	125	25
		343	233
Non-current liabilities			
Long-term debt	8	1,594	1,694
Employee benefits	5	1,406	1,694
Deferred tax liability		46	45
Derivative liability		19	54
Provisions		1	1
		3,066	3,488
Total liabilities		3,409	3,721
Equity			
Retained earnings		28	28
Total equity		28	28
Total liabilities and equity		3,437	3,749
Regulatory deferral account credit balances	3	465	476
Commitments	10		
Total liabilities, equity and regulatory deferral account credit balances		$ 3,902	$ 4,225

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

(millions of Canadian dollars)

	Retained earnings	Accumulated other comprehensive income	Total
Balance August 31, 2015	$ 28	$ -	$ 28
Net income (loss) and net movement in regulatory deferral accounts	(2)	-	(2)
Other comprehensive income (loss)	-	-	-
Balance November 30, 2015	$ 26	$ -	$ 26
Balance August 31, 2016	$ 28	$ -	$ 28
Net income (loss) and net movement in regulatory deferral accounts	-	-	-
Other comprehensive income (loss)	-	-	-
Balance November 30, 2016	$ 28	$ -	$ 28

See accompanying notes to unaudited interim condensed consolidated financial statements.

NAV CANADA

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

Three months ended November 30

(millions of Canadian dollars)

	Notes	2016	2015
Cash flows from:			
Operations			
Receipts from customer service charges		$ 335	$ 345
Other receipts		10	13
Commodity tax refund		3	-
Payments to employees and suppliers		(248)	(220)
Pension contributions - current service	5	(20)	(21)
Pension contributions - special payments	5	-	(7)
Other post-employment payments		(2)	(1)
Interest payments		(23)	(24)
Interest receipts		1	1
		56	86
Investing			
Capital expenditures		(32)	(34)
Recoverable input tax payments on termination of cross border transaction		-	26
Proceeds from asset-backed commercial paper trusts	9	80	2
		48	(6)
Cash flows from operating and investing activities		104	80
Effect of foreign exchange on cash and cash equivalents		1	-
Increase in cash and cash equivalents		105	80
Cash and cash equivalents at beginning of period		119	230
Cash and cash equivalents at end of period		$ 224	$ 310

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. Reporting entity:

NAV CANADA was incorporated as a non-share capital corporation pursuant to Part II of the *Canada Corporations Act* to acquire, own, manage, operate, maintain and develop the Canadian civil air navigation system (the ANS), as defined in the *Civil Air Navigation Services Commercialization Act* (the ANS Act). NAV CANADA has been continued under the *Canada Not-for-profit Corporations Act*. The fundamental principles governing the mandate conferred on NAV CANADA by the ANS Act include the right to provide civil air navigation services and the exclusive ability to set and collect customer service charges for such services. NAV CANADA and its subsidiaries' (collectively, the Company) core business is to provide air navigation services, which is the Company's only reportable segment. The Company's air navigation services are provided primarily within Canada.

The charges for civil air navigation services provided by the Company are subject to the economic regulatory framework set out in the ANS Act. The ANS Act provides that the Company may establish new charges and amend existing charges for its services. In establishing new charges or revising existing charges, the Company must follow the charging principles set out in the ANS Act. These principles prescribe that, among other things, charges must not be set at levels which, based on reasonable and prudent projections, would generate revenue exceeding the Company's current and future financial requirements in relation to the provision of civil air navigation services. Pursuant to these principles, the Board of Directors of the Company (the Board), acting as rate regulator, approves the amount and timing of changes to customer service charges. The Company plans its operations to result in an annual financial breakeven position after recording adjustments to the rate stabilization account. The impacts of rate regulation on the Company's interim condensed consolidated financial statements are described in note 3.

The ANS Act requires that the Company communicate proposed new or revised charges to customers in advance of their introduction and to consult thereon. Customers may make representations to the Company as well as appeal revised charges to the Canadian Transportation Agency on the grounds that the Company either breached the charging principles in the ANS Act or failed to provide statutory notice.

NAV CANADA is domiciled in Canada. The address of NAV CANADA's registered office is 77 Metcalfe Street, Ottawa, Ontario, Canada K1P 5L6. These interim condensed consolidated financial statements of NAV CANADA include the accounts of its subsidiaries.

2. Basis of presentation:

(a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*. As permitted under this standard, these interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2016 (2016 annual consolidated financial statements).

These interim condensed consolidated financial statements were authorized for issue by the Board on January 11, 2017.

2. Basis of presentation (continued):

(b) Basis of measurement:

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- financial instruments that are classified and designated as either fair value through profit or loss (FVTPL) or available for sale (AFS), which are measured at fair value; and
- defined benefit liabilities that are recognized as the net of the present value of defined benefit obligations and plan assets measured at fair value.

(c) Functional and reporting currency:

These interim condensed consolidated financial statements are presented in Canadian dollars (CDN), which is the Company's functional and reporting currency. All information presented has been rounded to the nearest million dollars unless otherwise indicated.

(d) Seasonality:

The Company's operations have historically varied throughout the fiscal year, with highest revenue from air traffic experienced in the fourth quarter (June to August). The increased air traffic is a result of more leisure travel in the summer months. The Company has a cost structure that is largely fixed, and accordingly costs do not vary significantly throughout the year.

(e) Significant accounting policies:

Significant accounting policies used in these interim condensed consolidated financial statements are disclosed in note 3 of the Company's 2016 annual consolidated financial statements, except for the application of new standards, amendments and interpretations effective September 1, 2016. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

In December 2014, the International Accounting Standards Board (IASB) issued Disclosure Initiative (Amendments to IAS 1 *Presentation of Financial Statements*). These amendments improve the existing presentation and disclosure requirements and encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments were adopted effective September 1, 2016. The adoption of these amendments resulted in no change to these interim condensed consolidated financial statements. Immaterial disclosures are expected to be removed from the Company's annual consolidated financial statements.

(f) Critical accounting estimates and judgments:

The preparation of these interim condensed consolidated financial statements requires management to make estimates and judgments about the future.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal actual results.

Critical judgments and key sources of estimation uncertainty are disclosed in note 2 (e) of the Company's 2016 annual consolidated financial statements.

(millions of Canadian dollars)

3. Financial statement impact of regulatory deferral accounts:

In accordance with disclosures required for entities subject to rate regulation, the Company's regulatory deferral account balances are as follows:

	August 31 2016	Regulatory deferral	Recovery/ reversal	November 30 2016
Regulatory deferral account debit balances				
Derivatives	$ 54	$ (35)	$ -	$ 19
Deferred income tax	45	1	-	46
Employee benefits:				
Accumulating sick leave	30	-	-	30
Other post-employment benefits re-measurements	38	(11)	(1)	26
Pension re-measurements	1,482	(310)	-	1,172
Supplemental pension re-measurements	7	3	-	10
Realized hedging transaction	52	-	-	52
	$ 1,708	$ (352)	$ (1)	$ 1,355
Regulatory deferral account (credit) balances				
Rate stabilization account	$ (169)	$ (17)	$ 10	$ (176)
Derivatives	(3)	(1)	-	(4)
Employee benefits:				
Pension contributions	(136)	30	-	(106)
Long-term disability contributions	-	-	(2)	(2)
Change in the fair value of the investment in preferred interests	(162)	(10)	-	(172)
Realized hedging transaction	(6)	-	1	(5)
	$ (476)	$ 2	$ 9	$ (465)

The long-term target credit balance of the rate stabilization account is 7.5% of total planned annual expenses net of other (income) and expenses, excluding non-recurring items, on an ongoing basis. For the year ending August 31, 2017 (fiscal 2017), the target balance is $101 (year ended August 31, 2016 (fiscal 2016) – $100). As at November 30, 2016, the balance in the rate stabilization account adjusted notionally for the $3 net non-credit related fair value variance from face value on investments (note 9), was a credit balance of $179 (August 31, 2016 – $183).

(millions of Canadian dollars)

3. Financial statement impact of regulatory deferral accounts (continued):

The table below shows the impact of rate stabilization adjustments and net movement in regulatory deferral accounts on the net income (loss) as reported in the interim condensed consolidated statement of operations:

	Three months ended November 30 2016	Three months ended November 30 2015
Before net movement in regulatory deferral accounts:		
Revenue	$ 332	$ 342
Operating expenses	321	296
Other (income) and expenses	22	30
Income tax expense	1	-
	(12)	16
Net movement in regulatory deferral accounts:		
Rate stabilization adjustments:		
Favourable variances from planned results	(17)	(13)
Initial approved adjustment[1]	10	(8)
	(7)	(21)
Other regulatory deferral account adjustments:		
Employee benefit pension contributions	30	11
Other employee benefits	(3)	(3)
Investment in preferred interests, net of tax	(9)	(6)
Realized hedging transactions	1	1
	19	3
	12	(18)
Net income (loss), after rate stabilization and regulatory deferral account adjustments	$ -	$ (2)

[1] The Board approved a $38 transfer out of the rate stabilization account to be recorded in fiscal 2017 as a result of a planned shortfall (fiscal 2016 - $31 transfer in to the rate stabilization account as a result of a planned excess), in order to achieve planned breakeven results of operations. Accordingly, this amount is being transferred out of the rate stabilization account evenly throughout the fiscal year.

(millions of Canadian dollars)

4. Investment in preferred interests of Aireon LLC:

As discussed in note 14 to the 2016 annual consolidated financial statements, the Company's overall investment in Aireon LLC (Aireon) is expected to be implemented in five stages for up to a total of $150 U.S. ($201 CDN) by calendar year 2017. As at November 30, 2016, the Company has invested $120 U.S. ($161 CDN) (August 31, 2016 - $120 U.S. ($157 CDN)). The Company is represented by four out of the eleven directors on Aireon's board of directors. The Company's investment in Aireon is in preferred interests, which are redeemable and convertible to common equity.

As at November 30, 2016, the Company's total fully diluted common equity interest on a post conversion basis is 36.5% (August 31, 2016 - 36.5%).

Subsequent to November 30, 2016, the Company completed the fourth tranche investment of $15 U.S. ($16 CDN) on December 21, 2016, bringing its total investment to $135 U.S. ($181 CDN). The Company's total fully diluted common equity interest on a post conversion basis has increased to 38.1%.

5. Employee benefits:

The Company has recorded net defined pension and other post-employment benefits expenses as follows:

	Three months ended November 30			
	2016	2015	2016	2015
	Pension benefit plans		Other benefit plans	
Statement of operations				
Current service costs	$ 44	$ 36	$ 1	$ 1
Interest cost	57	59	2	2
Interest income on plan assets	(45)	(50)	-	-
Total expense	$ 56	$ 45	$ 3	$ 3
Statement of other comprehensive income				
Re-measurements:				
Return on plan assets, excluding interest income on plan assets	$ 107	$ (11)	$ -	$ -
Actuarial gains	(414)	(103)	(11)	(3)
Total recognized in other comprehensive income	$ (307)	$ (114)	$ (11)	$ (3)

Net interest costs relating to employee benefits of $14 for the three months ended November 30, 2016 are comprised of interest costs and interest income on plan assets as noted above for pension benefit plans and other benefits plans.

The weighted average discount rates used to determine the re-measurements are as follows:

	Funded plans			Unfunded plans		
	November 30 2016	August 31 2016	November 30 2015	November 30 2016	August 31 2016	November 30 2015
Discount rate	3.80%	3.40%	4.20%	3.67%	3.32%	4.09%

(millions of Canadian dollars)

5. Employee benefits (continued):

The Company's contributions to its defined benefit plans were as follows:

	Three months ended November 30	
	2016	2015
Funded pension plan	$ 24	$ 28
Unfunded pension plan	1	-
Unfunded other defined benefit plans	2	2
Less: capitalized amounts	(1)	(1)
	$ 26	$ 29

On a preliminary basis, going concern pension contributions for fiscal 2017 are currently estimated to be $98 (fiscal 2016 - $112), with no requirement for special payments expected (fiscal 2016 - $20).

As described in note 15 to the 2016 annual consolidated financial statements, the Company is currently meeting its pension solvency funding requirements with letters of credit. As at November 30, 2016, the Company has put in place letters of credit totaling $463 (representing 9% of registered pension plan assets as at November 30, 2016) to meet its cumulative pension solvency funding requirements to the end of calendar 2016. For the annual period beginning July 1, 2017, letters of credit will be based on the January 1, 2017 actuarial valuations.

The balances of long-term employee benefit liabilities recorded on the interim condensed consolidated statement of financial position are as follows:

	November 30 2016	August 31 2016
Present value of funded defined benefit obligations	$ (6,365)	$ (6,720)
Fair value of plan assets	5,299	5,374
Liability for funded defined benefit obligations	(1,066)	(1,346)
Liability for unfunded pension defined benefit obligations	(72)	(69)
Liability for unfunded other defined benefit obligations	(223)	(233)
Recognized liability for defined benefit plans	(1,361)	(1,648)
Long-term employee benefit liabilities	(45)	(46)
Total long-term employee benefit liabilities	$ (1,406)	$ (1,694)

(millions of Canadian dollars)

6. Property, plant and equipment:

Property, plant and equipment (PP&E) were comprised of the following:

	Land and buildings	Systems and equipment	Assets under development	Total
Cost				
Balance at August 31, 2016	$ 201	$ 555	$ 73	$ 829
Additions	-	-	21	21
Transfers	9	19	(28)	-
Balance at November 30, 2016	$ 210	$ 574	$ 66	$ 850
Accumulated depreciation				
Balance at August 31, 2016	$ 26	$ 139	$ -	$ 165
Depreciation	3	18	-	21
Balance at November 30, 2016	$ 29	$ 157	$ -	$ 186
Carrying amounts				
At August 31, 2016	$ 175	$ 416	$ 73	$ 664
At November 30, 2016	$ 181	$ 417	$ 66	$ 664

7. Intangible assets:

Intangible assets were comprised of the following:

	Air navigation right	Purchased software	Internally developed software	Assets under development	Goodwill	Total
Cost						
Balance at August 31, 2016	$ 702	$ 158	$ 168	$ 33	$ 4	$ 1,065
Additions	-	-	-	10	-	10
Transfers	-	2	2	(4)	-	-
Balance at November 30, 2016	$ 702	$ 160	$ 170	$ 39	$ 4	$ 1,075
Accumulated amortization						
Balance at August 31, 2016	$ 50	$ 34	$ 28	$ -	$ -	$ 112
Amortization	6	5	4	-	-	15
Balance at November 30, 2016	$ 56	$ 39	$ 32	$ -	$ -	$ 127
Carrying amounts						
At August 31, 2016	$ 652	$ 124	$ 140	$ 33	$ 4	$ 953
At November 30, 2016	$ 646	$ 121	$ 138	$ 39	$ 4	$ 948

(millions of Canadian dollars)

8. Long-term debt:

Note 21 to the Company's 2016 annual consolidated financial statements provides details of the Company's interest-bearing loans and borrowings. On November 1, 2016, the Company gave notice to its trustee of its intention to redeem on a pro rata basis, $100 of its outstanding $350 Series MTN 2009-1 General Obligation Notes. Accordingly, $100 has been classified in the current portion of long-term debt together with $25 related to the Series 97-2 amortizing revenue bonds as at November 30, 2016. Upon giving notice of the early redemption to the trustee on November 1, 2016, the Company had a contractual obligation to pay a redemption premium related to the early partial-redemption. This premium of $10 has been expensed in other finance costs for the three months ended November 30, 2016 in the interim condensed consolidated statement of operations.

Subsequent to November 30, 2016, the notes were redeemed. The aggregate redemption price, calculated according to the terms of the issue, was $110, plus accrued and unpaid interest up to but excluding the redemption date of December 16, 2016. The balance of long-term debt subsequent to the redemption is $1,619 with $25 of that balance classified as current debt.

9. Financial instruments and financial risk management:

Summary of financial instruments:

The following table presents the carrying amount of the Company's financial instruments, by classification category and includes the fair value hierarchy classification for each financial instrument. Other than long-term debt, the carrying amount is equal to the fair value for all of the Company's financial instruments.

	November 30, 2016				
	L&R[a]	AFS	FVTPL	Other financial liabilities	Fair value hierarchy
Financial assets					
Cash	$ 224	$ -	$ -	$ -	Level 1
Accounts receivable and other	95	-	-	-	Level 1
Current investments					
Debt service reserve fund	-	94	-	-	Level 1
MAV II and other[(1),(2)]	-	-	210	-	Level 3
Investment in preferred interests[(2),(3)]	-	-	301	-	Level 3
	$ 319	$ 94	$ 511	$ -	
Financial liabilities					
Trade and other payables					
Trade payables and accrued liabilities	$ -	$ -	$ -	$ 209	Level 1
Non-derivative financial liability[(4)]	-	-	-	2	Level 3
Long-term debt					
Bonds and notes payable[(5)]	-	-	-	1,719	Level 2
Long-term derivative liabilities[(6)]	-	-	19	-	Level 2
	$ -	$ -	$ 19	$ 1,930	

[a] Loans and receivables (L&R)

(millions of Canadian dollars)

9. Financial instruments and financial risk management (continued):

Summary of financial instruments (continued):

(1) The fair value of these financial assets is determined using a discounted cash flow approach that is discussed later in this note.

(2) These financial instruments are designated as FVTPL.

(3) The fair value of the Company's investment in preferred interests of Aireon is based on the price paid by three additional major air navigation service providers, namely ENAV (Italy), the Irish Aviation Authority (IAA), and Naviair (Denmark) for preferred interests in Aireon with substantially the same characteristics as it was determined that this represents the best estimate of fair value.

(4) In accordance with the amended shareholders' agreement for one of the Company's subsidiaries, under certain circumstances a non-controlling shareholder could compel a purchase of their shares at a price equal to their fair value at that time, subject to certain adjustments. The liability was recorded at inception based on the present value of the redemption amount. Changes in the liability due to changes in fair value of the underlying shares are treated as a change in estimate in the period in which they occur.

(5) The fair value of the Company's bonds and notes payable is determined using secondary market ask prices at the reporting date. As at November 30, 2016, the fair value was $2,004 (August 31, 2016 - $2,058), inclusive of interest of $23 (August 31, 2016 - $25).

(6) Current and non-current derivative assets and liabilities are recorded at fair value determined using prevailing forward foreign exchange market rates and interest rates at the reporting date.

There has been no change in classification of financial instruments since August 31, 2016.

Master Asset Vehicle II (MAV II) notes, restructured asset-backed commercial paper (ABCP) and other notes are measured at fair value using Level 3 inputs. The following table presents the fair value variances on these financial instruments used for rate setting purposes as at:

	November 30, 2016			August 31, 2016		
	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value
MAV II Notes						
Class A-1	$ 118	$ (1)	$ 117	$ 191	$ (8)	$ 183
Class A-2	94	(1)	93	94	(6)	88
	212	(2)	210	285	(14)	271
ABCP	-	-	-	7	-	7
Other notes	1	(1)	-	1	-	1
Total	$ 213	$ (3)	$ 210	$ 293	$ (14)	$ 279

The Company has used a discounted cash flow approach to determine the fair value of these investments, taking into account the expected risk and return profile of the notes in comparison to market returns as at the measurement date, November 30, 2016. The estimates arrived at by the Company are subject to measurement uncertainty and are dependent on market conditions as at the measurement date.

As of November 30, 2016, the Class A-1 and A-2 notes are rated AA (low) (sf) and A (low) (sf) respectively by DBRS. As these are investment grade ratings, the Company does not have a provision for expected credit losses on these notes.

(millions of Canadian dollars)

9. Financial instruments and financial risk management (continued):

Summary of financial instruments (continued):

The Company has used the following expected rates and discount factors:

	November 30, 2016	
Restructured Notes	Return	Market Discount Factor
MAV II Class A-1	BAs minus 50 basis points	BAs plus 6.5%
MAV II Class A-2	BAs minus 50 basis points	BAs plus 8.7%
Other notes	BAs plus 30 basis points	BAs plus 25.8%

The Company believes that the market discount factors shown above are reflective of functioning market returns for products with maturities and risk profiles similar to the respective notes.

A change of 50 basis points in the market discount factors would not have a significant impact on the fair value variance. There is no assurance that the fair value of the Company's investments in MAV II and other notes will not decline, or that significant deterioration in financial markets will not cause margin calls in excess of MAV II's ability to meet them, resulting in a significant credit loss. The estimated fair value of the Company's investments may change in subsequent periods. Any such changes could be material and would be reflected in the interim condensed consolidated statement of operations as they occur.

The following table summarizes the changes in the fair value of financial instruments classified as Level 3:

	MAV II and Ineligible Asset Tracking notes	ABCP	Investment in preferred interests	Total
Fair value as at August 31, 2016	$ 272	$ 7	$ 291	$ 570
Proceeds[1]	(73)	(7)	-	(80)
Net increase in fair value[2]	-	-	1	1
Net decrease in fair value provision	11	-	-	11
Effect of foreign exchange	-	-	9	9
Fair value as at November 30, 2016	$ 210	$ -	$ 301	$ 511

(1) In fiscal 2017, the Company received $73 of principal relating to the MAV II notes, as well as the remaining $7 of principal balance of the restructured ABCP.

(2) Net increase in fair value is comprised mainly of accrued dividend income.

(millions of Canadian dollars)

9. Financial instruments and financial risk management (continued):

Financial risk management:

The Company is exposed to several risks as a result of holding financial instruments, including interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk. The Company's exposure to financial risks and how the Company manages each of those risks are described in note 22 (a)-(c) to the Company's 2016 annual consolidated financial statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended November 30, 2016, except as noted below.

(a) Market risk

(i) Foreign exchange risk:

The Company designates certain of its forward contracts as cash flow hedging instruments to hedge the Company's exposure to the impact of exchange rate fluctuations. During the three months ended November 30, 2016, the Company entered into a forward contract to purchase an additional $15 U.S. ($20 CDN) to hedge the Canadian dollar cost related to its fifth tranche investment in preferred interests of Aireon at a rate of 1.34 maturing in July 2017.

10. Commitments:

The following table presents a maturity analysis of the Company's undiscounted contractual cash flows for its financial liabilities, capital commitments, operating leases and investment in preferred interests of Aireon as at November 30, 2016:

	Remaining payments – for years ending August 31						
	Total	2017	2018	2019	2020	2021	Thereafter
Trade payables and accrued liabilities	$ 176	$ 176	$ -	$ -	$ -	$ -	$ -
Non-derivative financial liability	2	2	-	-	-	-	-
Derivative liabilities	19	-	-	19	-	-	-
Long-term debt (including current portion) (1), (2)	1,725	125	375	275	25	275	650
Interest payments (2)	680	68	77	69	53	46	367
Capital commitments (3)	121	38	28	11	12	6	26
Operating leases	42	6	8	7	6	6	9
Investment in preferred interests of Aireon (4)	36	16	20	-	-	-	-
	$ 2,801	$ 431	$ 508	$ 381	$ 96	$ 333	$ 1,052

10. Commitments (continued):

(1) Payments represent principal of $1,725. The Company intends to refinance principal maturities at their maturity dates. The Company may choose to repay a portion of these maturities with available cash and/or may increase the size of a re-financing to generate additional liquidity or for other purposes, and/or may choose to redeem in whole or in part an issue in advance of its scheduled maturity. Subsequent to November 30, 2016, the Company reduced its long-term debt with the redemption of $100 of the $350 Series MTN 2009-1 General Obligation Notes.

(2) Further details on interest rates and maturity dates on long-term debt are provided in note 21 to the 2016 annual consolidated financial statements.

(3) The Company has firm commitments for the acquisition of PP&E and intangible assets amounting to $121 as at November 30, 2016 (August 31, 2016 - $118).

(4) Payments represent contractual obligations to invest in preferred interests of Aireon, subject to conditions pursuant to the agreements the Company entered into in November 2012 which set out the terms of its participation in Aireon, as amended (the November 2012 agreements). Amounts are presented in CDN translated using the hedged rate for each tranche investment. In March 2016, the November 2012 agreements were amended to reflect the extension of the fourth tranche investment milestone deadline to fiscal 2017. Subsequent to November 30, 2016, the Company completed its fourth tranche investment of $15 U.S. ($16 CDN) on December 21, 2016.