Vision
Canada's Premier Regional Airport

Fort McMurray Airport Authority

2010 Annual Report

FLY Fort McMurray

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Vision

"We are Canada's Premier Regional Airport, connecting the World to the people, resources and opportunities in the Wood Buffalo Region"

Mission

"We are responsible stewards of our airport, achieving superior performance in the conduct of safe, secure, effective and efficient operations. Our airport businesses contribute significantly to the economy of the Region, Alberta and Canada."

Core Values

Safety, Security and Environment

We conduct our businesses in a culture of safety and security that promotes best practices and sharing of experience and mutual support. We are sensitive to and support sustainable environmental processes.

Commercially Focused and Fiscally Responsible

We have adopted a commercial operating philosophy/culture and operate the airport as a robust business. We maintain a strategic focus on risk mitigation and financial strength.

Exemplary Customer Service through Teamwork

We are customer service leaders. Together with our stakeholders, we are Team FlyFortMac with a common goal of superior customer service.

Leadership

We value leadership with integrity and innovation in support of our Vision.

New Vision
Global **Opportunities**

A message from Chair Jonathan McKenzie and CEO Scott Clements

The Regional Municipality of Wood Buffalo is poised for the next phase of its development as a community, as a tourism destination and as a global focal point for energy production. As the world economy rebounds from recession and our region's prominence as an energy centre accelerates, the time is now for a new, ambitious vision for air service in our region – air service befitting our region's economic status and burgeoning confidence as a community. We must seize the global opportunities before us.

In operation for just over a year, the Board of Directors, management and staff of the Fort McMurray Airport Authority (FMAA) have strived to develop an organization that will deliver the aviation facilities and services our community requires. It all starts with our bold corporate vision:

> "We are Canada`s Premier Regional Airport, connecting the world to the people, resources and opportunities in the Wood Buffalo Region."

This vision is our GPS, orientating all of our actions and decisions.

New terminal building

The most far-reaching outcome of our vision is the decision to build a new airport terminal. Clearly, with more than 700,000 annual passengers now moving through a facility designed for 235,000 annual passengers, building a new terminal is a business imperative.

Five times larger than the existing mid-1980s facility, the new terminal will comfortably serve 1.5 million passengers annually. The new air terminal building will have eight gates and three bridges with room for a fourth bridge as demand warrants. The current terminal has one bridge and two gates.

Our customers will ease through a highly functional, efficient building with many new amenities and services. A wider array of food, beverage and retail options; ample passenger-lounge space; and increased parking facilities are all part of a higher level of service we are developing for our customers.

Those customers are coming from around the world to do business in our community, share in its natural splendour and enjoy our community's warm, northern Alberta hospitality. And with billions of new dollars earmarked for investment in our region over the next decade, the number of people coming to and from our region is only going to soar.

The new terminal will welcome our visitors and residents with a vibrant sense of place. Local art and theming will reflect our region's big spirit and story. When the new terminal opens in spring 2014, the Fort McMurray Airport (FMA) will become a source of pride for our community.

Long-term, strategic mindset

While the need for a new terminal is clear to everyone who uses the airport, it's quite another endeavour to ensure we have the business structure and systems in place to build it on time and on budget, and to operate it efficiently once it's built.

With our vision underpinning everything we do, we developed a rolling five-year strategic plan. The plan sets a clear course for achieving our vision and delivering excellence through the facilities and services we offer. Our mission, vision, core values, strategic goals and corporate objectives are essential to the document.

The plan incorporates all the best practices in strategic planning, from an exploration of the internal and external environments, to our risk-management approach and our financial projections. With the plan solidified, the organization has tools to deliver on the plan. And the Board of Directors has the framework to see that it does.

Air service priority

Expanding our region's air service is a vital component of the plan. Providing the flights our region needs at the right times are the ultimate measures of our organization's effectiveness.

Obtaining International and U.S. charter services are top priorities in 2011. Mexico and Las Vegas are the primary targets.

Secondary targets include enhancing our existing routes with more frequency and greater seat capacity. We have a plan to ramp up our contact with the airlines, ensuring they recognize the size and value of our market.

Yet aggressively pitching airlines is only part of the air service puzzle. As a region and as individuals, we have to use our non-stop services. Driving to another airport instead of using FMA helps other airports build their air service, but hinders ours. In 2011, we'll launch a program to build awareness of our non-stop routes and encourage residents to always choose FMA.

New business opportunities

Cargo is another global opportunity for our market. Securing dedicated freighter and courier services are key aims. Our region's industries require tonnes of equipment and material. We'll work with the oil sands companies and other industries to use FMA as a reliable, convenient cargo hub.

Attaining Port of Entry status is another lynchpin of achieving our vision. The Wood Buffalo region will enjoy the global spotlight for years to come, welcoming international business and leisure travellers. We need customs facilities to provide the non-stop services from the U.S. and international destinations our region's growth demands.

With the airport property officially transferred to FMAA effective January 1, 2010, we are developing a Business Development Plan for the airport that will drive aviation and non-aviation commercial development at FMA. The plan will examine improvements in parking, car rental contract renewals, south-side aviation development, cargo buildings and commercial opportunities in the new terminal.

New Vision
Global **Opportunities**

The existing terminal, once decommissioned as a passenger facility, frees space for new cargo operations or other aviation operations. With plenty of land for development, FMA presents a multitude of aviation and non-aviation development opportunities.

Solid relationships
We're proud of the work we've done in just one year to forge a new vision and develop the plans and business organization to achieve it. But we're especially proud of the relationships we have established with the Regional Municipality of Wood Buffalo Council and with the entire community.

Consistent communication steels relationships and builds trust. We will keep the community informed about our activities and progress. Our new website provides up-to-the-second flight status information, operational updates and corporate highlights. Of course, flyfortmac.com will also feature the latest information about the terminal construction.

Online information is important, but nothing surpasses face-to-face discussions and hands-on engagement in the community. The newly formed Business Advisory Council, made up of distinguished local business leaders, affords an important forum to listen to our community and respond to its air-service needs. We're also a member of the Fort McMurray Chamber of Commerce and other key community and industry organizations.

As well, we are establishing a community investment program to contribute positively to the community, supporting the diverse people and organizations that drive its social, environmental and economic well-being.

Accountable to Wood Buffalo
Beyond communication and participation, we must also be accountable. As the steward of one the region's most critical transportation assets, the Board recognizes the importance of a strong governance framework. The Board is dedicated to making the right decisions that sustainably grow our airport and region.

Our Board is made up of a diverse group of business and community leaders representing varied interests who come together to shape a common vision and purpose. Through our annual reports, public meetings, audits, consultations, publicly available strategic plans and other accountability tools, you will know what we are doing with your airport. And you will know if what we are doing with it matches what we said we were going to do with it.

This past year was not without its challenges. Establishing a new organization, a new culture and a new plan for advancing FMA involved the committed collaboration of many people and consumed countless hours. In this regard, we recognize the leadership of our inaugural Chair, Jeff Fitzner, and also the contributions of departed Board members John Coyne and Jock Howard. With our new vision and the global opportunities our region presents, the hard work of our staff, management and Board will continue.

With the help of our community, together we will build an airport that delivers on the ambitious vision we have set – a vision in harmony with the aspirations and potential of our great northern community.

Jon McKenzie

Jonathan McKenzie
Chair, Fort McMurray Aiport Authorty
Board of Directors

Scott Clements
President and CEO
Fort McMurray Airport Authority

Governance
and Accountability

The Fort McMurray Airport Authority was incorporated in December 2009 and its first Board was formed effective January 1, 2010. The Board consists of ten positions appointed by five appointing bodies. FMAA is the fourth airport authority to form in Alberta, joining Calgary, Edmonton and Red Deer. Under Alberta legislation, Airport Authorities act as businesses independent of governments, but accountable through regulations and good business practice to users and appointers.

The Authority acquired the assets of the Fort McMurray Airport from the Regional Municipality of Wood Buffalo. Accountability in an organization as diverse as the Fort McMurray Airport Authority relies on many different tools and processes to provide the Board the information members need to fulfill their oversight responsibilities and to hold their administration accountable for the implementation of the Board's policies and programs. The primary components of the Accountability Framework are identified in the model on the next page.

Governance
and Accountability Framework

Board of Directors

Jonathan McKenzie, CA
Chair
Appointed by:
The Oil Sands Developers Group

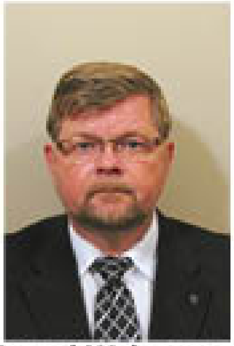
Jeff Fitzner
Director
Appointed by:
Fort McMurray Chamber of Commerce

Allan Kallal
Director
Appointed by:
Regional Municipality of Wood Buffalo

Mildred Ralph
Director
Appointed by:
Fort McMurray Chamber of Commerce

Sheldon Schroeder
Director
Appointed by:
The Oil Sands Developers Group

Peter Wallis
Director
Appointed by:
FMAA Board of Directors

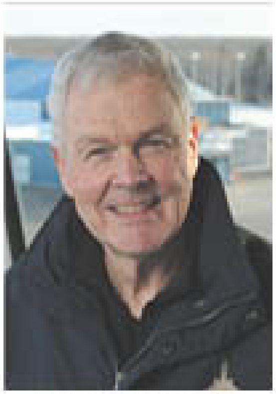


Bernd Wehmeyer
Director
Appointed by:
Regional Municipality of Wood Buffalo

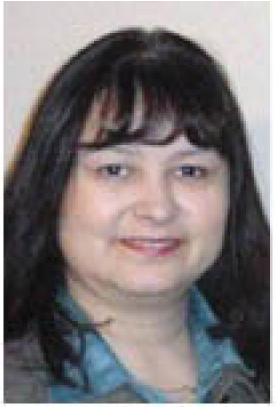
Roxanne Wells-Devaney
Director
Appointed by:
CUPE (Canadian Union of Public Employees)

Roy Williams
Director
Appointed by:
Regional Municipality of Wood Buffalo

Senior Management



Scott Clements
President and CEO



Sally Warford
Chief Operating Officer

Ter Hamer, CA
Chief Financial Officer

Management

Kevin Muise
Manager of Operations and Maintenance

Pauline Brown
Manager of Customer and Terminal Service

2010 Accomplishments

Building our airport,
Strengthening Our **Community**

Opening in spring 2014
The Regional Municipality of Wood Buffalo (RMWB) has dramatically grown in the past decade. Our region hosts one of the largest concentrations of industrial development on earth. The 1986 airport terminal building at Fort McMurray Airport (FMA) is overwhelmed. It was designed for a different time, a different region. The time is now to build an airport that meets the practical needs of today's RMWB and the global opportunities of tomorrow.

It's not just that the terminal, designed for 235,000 annual passengers, now must serve over 700,000 annual passengers and rising. It's also the supporting infrastructure. Parking facilities, access roads and municipal services are inadequate for the current and anticipated number of passengers. Airside, the apron, de-icing facility, cargo and baggage handling facilities are also limited. All airport land currently accessible is occupied with significant demand for more development.

New site for terminal
To address all the deficiencies of the existing facility, we've selected a new location for the 2014 Air Terminal Building. The new "greenfield" site south of the existing runway will allow us to keep the current terminal operating until the new terminal is ready to serve passengers and flights. It's the most cost-effective and non-disruptive solution.

New terminal access and services

- The proposed terminal will require a new access road off Hwy 69.
- The current water distribution system is currently being updated to service the expanded terminal.
- The current sewage lagoon and sanitary collection system are adequate only for the existing and proposed development. Upon extension of the municipal sanitary sewer system, the airport will connect to that system and decommission the lagoon.

More comfort, more services

The 14,000 square-metre terminal building is being designed to comfortably serve over 1.5 million passengers. Five times larger than the existing facility, customers will enjoy more room to ease through the building, shop, dine, admire local art and displays and board their flights.

When the new terminal opens in spring of 2014 it will offer customers:

- A wider array of food and beverage options. Shoppers will have more retail choices as they await their flights.
- Eight aircraft parking positions, served initially by three bridges and five ground-loading gates. A fourth bridge will be added as passenger numbers grow.
- More vehicle parking and car rental services.
- Locally inspired art and displays framed by a modern, sophisticated building. The ambience will reflect our region's warm, vibrant spirit.

Expanding business opportunities

The new terminal and supporting infrastructure will drive the next 20 years of business development at FMA. The location of the new terminal in 2014 unlocks the south side of the airport for new aviation and non-aviation commercial development, including much-needed cargo handling facilities.

Creating a **High-Performance** Organization

The Fort McMurray Airport Authority (FMAA) was officially established on Dec. 1, 2009. The Regional Municipality of Wood Buffalo and the Province of Alberta recognized it was time for the Fort McMurray Airport (FMA) to be guided by an independent airport authority as it expands to keep pace with the air service needs of the region. FMAA is the fourth airport authority in Alberta, joining Calgary, Edmonton and Red Deer.

The FMAA, as an independent entity, is focused on adopting a commercial focus and culture as it operates and expands the facilities and services offered at FMA.

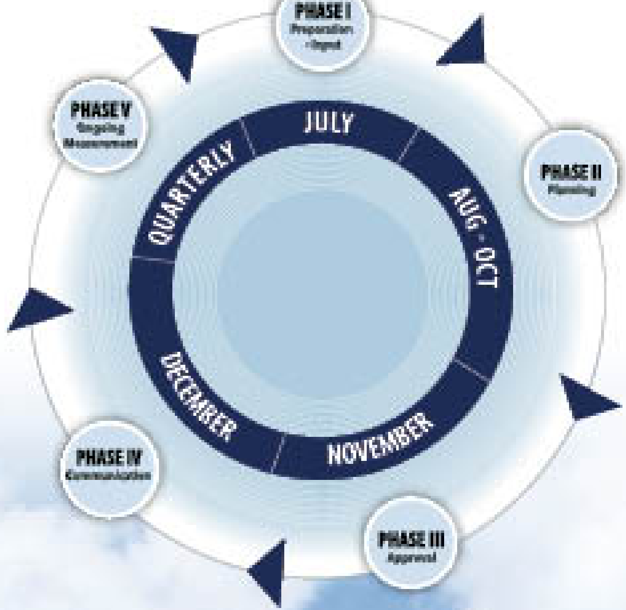
New vision, new organization

Change is never easy. At the beginning of 2010, the newly minted FMAA had to complete the transition from a municipal commission to an independent, commercially focused airport authority – all with a new board, a new CEO, additional staff and a major cultural shift for airport employees. With perseverance and team work, the FMAA had an extremely successful first year, establishing the foundation of a high-performing organization that will deliver an enhanced level of air service to the region.

2010 Accomplishments:

- On Dec. 10, 2010, all 1,266 acres of airport land, associated facilities and other assets were transferred to the FMAA. This led the FMAA to arrange the financing to build a new terminal and pursue additional commercial aviation and non-aviation activities on the property.
- With the transfer of the airport property, the Regional Municipality of Wood Buffalo and FMAA signed a Memorandum of Understanding establishing principles and expectations underpinning the relationship between the two parties.
- Developed a governance structure that ensures the Board of Directors will hold the FMAA management accountable for achieving yearly and long-term business objectives. Extending from this structure is the set of tools and performance measures the CEO will use to keep the organization accountable to corporate objectives and to achieve high levels of performance every day.
- A core component of growing any successful enterprise is strategic planning. The Five-Year Strategic Plan was approved by the Board on Nov. 30, 2010. It provides the road map for achieving the airport expansions plan, organizational change and keeping the FMAA in a strong financial position.
- To accommodate the new organization and free up space in the overwhelmed administration offices at the existing terminal building, FMAA moved to new offices near the terminal.

PLANNING CYCLE



Team-powered performance
Our people make FMA work. They do it every day, even in the harshest winter conditions. They care about our customers. They care about each other. That's what teams do.

We ask a lot of our people. Our first year of operation required everyone to adjust to a new business mindset all the while keeping a keen focus on the many daily tasks of running a major transportation hub.

As we aggressively move to transform FMA and our organization, we want to ensure our people are challenged, have opportunities to grow and derive a strong sense of satisfaction from their careers. We want to ensure we can attract new people and that we have a solid succession plan to advance the organization over the long term. We are exploring alternatives for benchmarking our performance as a quality organization. This is a key priority in 2011.

Enhancing Customer Service

Our customers are the reason we are here. We are striving to deliver the best experiences for our customers every day. From clearing the runways so flights can leave on time to adding new food and beverage and shopping options, we want to exceed every customer's expectations. While constrained by a terminal handling hundreds of thousands of more passengers than it was ever designed for, vital improvements were made in 2010.

2010 Accomplishments

- Safety is always first at Fort McMurray Airport. Transport Canada approved our Safety Management System Manual. All safety training exercises were conducted competently and comprehensively to the satisfaction of Transport Canada and management.

- A SUBWAY® was opened in the terminal in late November. It provides a fresh, quick-serve option for our busy customers. SUBWAY® is the world's largest submarine sandwich franchise and we are delighted to bring this globally renowned brand to FMA.

- Delaney's Irish Pub opened in November to sate hungry and thirsty travellers. With the game always on, the pub adds to the dining options travellers now have at FMA.

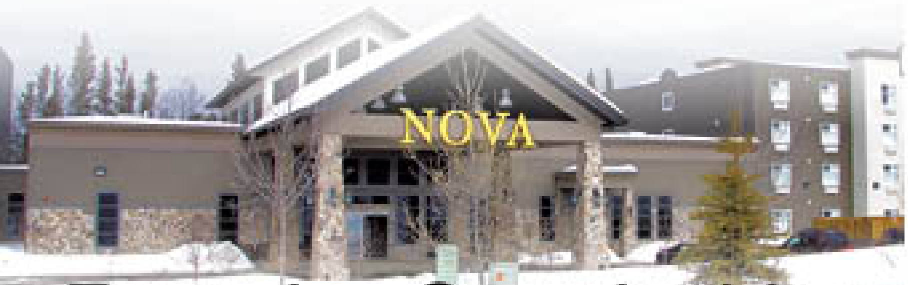
- A new Trackless snow plow, powerful enough to clear away the heaviest snow and small enough to fit in tight spots in the parking area, has improved our ability to keep parking facilities clean all winter long.

- Operating a 25-year-old building and supporting infrastructure – serving many more customers than it was ever designed for – requires investment to maintain. We invested $1.3 million to get the terminal, parking area, aprons and runways in top shape.

Teaming up for customer service

Our airport is a reflection of the community. Every customer interaction is significant. With the hustle and bustle of our airport and the high numbers of customers moving through it every day, all airport workers, no matter who they work for, are on the same team. That team is TeamFlyFortMac.

TeamFlyFortMac is about giving our customers a consistent, friendly and re-assuring experience. In 2011, we will continue to build on the core principles and communications established in 2010 to ensure TeamFlyFortMac is a honed, customer-service-driven team, whether we're serving you at a restaurant or handling your baggage.



Fostering Sustainable, Profitable Growth

Fort McMurray Airport has many assets. We need to ensure those assets are working for our region, helping build a sustainable, profitable airport to meet Wood Buffalo's long-term aviation and air service needs. We had to move on many fronts to position FMA for a plethora of new aviation and non-aviation business opportunities.

Accomplishments 2010

- The Chateau Nova Hotel & Suites Fort McMurray opened in September 2010. The new 170-room hotel offers great value and service for our customers, located just minutes from the terminal. As well, the hotel expands our tenant base, increasing and diversifying our business revenues.

- Formulated a compelling business plan to secure FMAA's credit rating from Standard & Poor's, one of the world's leading providers of credit ratings. This was crucial in obtaining the financing for the new terminal project.

- We prepared the 2011 Business Plan, the first phase of the FMA Master Plan and the Air Service Development Plan. All of these initiatives will help realize FMA's tremendous opportunities and spur it to become an even larger driver and enabler of our region's economy.

- Prepared an analysis of our regional air cargo market, which helps us pitch dedicated freighter service for FMA. It will also help build the case for Port of Entry (customs) status in our discussions with the Government of Canada. Port of Entry status would transform FMA into an international airport and welcome business, leisure travel and cargo opportunities from around the world, especially to and from the U.S.

- Prepared a comprehensive analysis of passenger air service demand for the region and identified domestic, U.S. and International air service targets.

- A number of business proposals were developed or started in 2010 to help advance our commercial prospects, including a proposal for a common-use rental car facility, engaging a real estate partner to help FMAA with new development opportunities and leasing for aviation and non-aviation industrial development.

- Moving to our new administration building has freed office space in the terminal to rent or sell to tenants.

Revving up Real Estate

Real estate operations currently contribute substantially to Airport revenues, based upon approximately 30 hectares of airside and groundside land. The airport expansion underway will add an additional 39 hectares of new airside commercial land and 47 hectares of groundside commercial land, which over time, will generate new revenues.

To maximize the value from current real estate assets, FMAA has implemented a program to review all real estate holdings and existing leases to ensure efficient utilization and rent recovery in line with lease terms and market rates. A significant outcome of the real estate review is the introduction of the Airport Industrial Park (AIP) in March 2011. The AIP, located on the east airport lands, comprises approximately 19 hectares and will provide the Fort McMurray business community much needed industrial/commercial land.

Our Region's air service

FMA is currently served by seven air carriers providing regularly scheduled passenger service to six non-stop domestic destinations. In addition, seven carriers provide charter passenger services.

FMA Non-stop destinations
- Calgary
- Edmonton
- Fort Chipewyan
- Prince Albert
- Toronto
- Vancouver

FMA Air Carriers – Scheduled
- Air Canada Jazz
- Central Mountain Air
- Connect Air
- Northwestern Air
- Swanberg Air
- Transwest Air
- WestJet

FMA Air Carriers – Chartered
- Esso
- Suncor
- Syncrude
- Shell
- North Cariboo
- Canadian North
- Enerjet

Growing
air service

The number of passengers we served rose by 200 percent during the boom of 2005-2008. During the global recession, passenger growth abated and our total number of annual passengers stabilized at just over 700,000.

Yet January and February 2011 were our busiest on record. New capital investments in oil sands projects are becoming commonplace once again. Companies are starting to talk about labour shortages. And continued volatility in other parts of the world is propelling even more international interest in the 170 billion barrels in proven reserves contained in Alberta's oil sands.

Growing economic activity drives demand for air service. The number of flights and destinations our airline partners offer is the bottom line for most people in our community. We know that's a key indicator of our performance.

We are strategically and aggressively targeting new services and increased frequencies on high-volume routes.

The numbers of passengers, including those on flights chartered or operated by oil sands companies where passengers use FMA are forecast to be 883,000 by 2014, 1,010,000 by 2019 and 1,183,000 by 2030 based on a moderate growth scenario. We want to ensure those passengers have convenient flights to the destinations they need.

In 2011, we are aiming to obtain the following air service enhancements:

- Charter passenger service to Las Vegas and Mexico.
- Increase flight frequency and seat capacity to major domestic markets, including Vancouver, Toronto and Calgary.
- A new regional passenger service to one of the following: Red Deer, Saskatoon, Grande Prairie or Kelowna.

Expanding global cargo opportunities

Fort McMurray's big spirit is only rivalled by the big oil sands operations that drive its economy. New investment in the Athabasca oil sands means even more large pieces of equipment and parts will pour into our region. We have the efficient highway and rail links through Edmonton to major Canadian and American centres. Now, with the terminal expansion going ahead, FMA will have the facilities and space to seize its rightful place as the key strategic air gateway to Canada's largest economic generator. The airport will have the capabilities to handle a full range of air cargo services for all types of aircraft.

In addition to serving over 100,000 people residing in the Regional Municipality of Wood Buffalo, the Fort McMurray Airport will soon be equipped for all types of freight handling, including heavy, outsized loads. Air Cargo will become a bigger part of our business. Adding customs facilities, if granted by the federal government, will help drive passenger and cargo service to our region.

Encouraging
general aviation

General and corporate aviation complement commercial passenger and cargo aviation business. This sector of our business supports numerous industries and offers services our region relies on.

General aviation includes private and recreational flying, flight schools and flight training, charter services, search and rescue, avionics, helicopter activity, corporate services, private charters, and spin-off activities such as aircraft maintenance and air ambulance services.

FMA hosts several fixed base operators (FBO).
They provide a variety of services, including:

- Aircraft handling
- Refuelling services
- Executive flight lounges

General and corporate pilots can also take advantage of many amenities located in, or around, the main terminal such as the newly opened Nova Hotel and car rentals. Or they can drive into Fort McMurray for its many amenities.

To support a vibrant general aviation industry at FMA, we will soon expand aircraft parking space to ease the movement of cargo and general aviation flights.

Longer term, we will aggressively plan and implement a new General Aviation Strategy. Expansion and obtaining customs facilities will open the south side of the airport, generating new opportunities for general aviation to grow and prosper at the airport.

Customer service is important to the Fort McMurray Team. We will provide our general aviation clients with a clearly identified management contact with the authority to get things done for these important customers. We will expand our range of resources and have added expertise, including marketing, business development, and a renewed commitment to enhance our airside operations.


Engaging
Our **Community** and **Stakeholders**

First impressions last. Reaching out to the community in our first year of operation was pivotal in achieving our business objectives in 2010. Enhancing those relationships and ensuring the region knows what we're doing is an ongoing success factor for the Fort McMurray Airport Authority.

2010 Accomplishments

- We launched a new website to inform the community about our operations and activities. Up-to-date flight information is a popular feature and we will use this key communications tool to provide updates on the terminal construction project.

- Community investments contributed to many organizations and charities that help strengthen our region, including Keyano College and Festival of Trees. In 2011, we'll refine the program to ensure our community investments maximize the positive impact on the community.

- Excellent relationships have been established with organizations vital to our operational and long-term success. They include Government of Alberta, Transport Canada, Regional Municipality of Wood Buffalo, airlines, Chamber of Commerce, Rotary Club, CUPE, FMA tenants, our bankers, Canadian Airport Council and Aviation Alberta.

- The FMAA Business Advisory Council met for the first time in December. With key business leaders as members, the Council will give us insights into the air service needs of our region and serve as FMA ambassadors in the community.

Measuring Success

What gets measured gets done. It's an old adage now, but it's a fundamental business truth. To fulfil our vision and focus on the actions that will get us there, we have established Key Success Drivers (KSDs). Below is an overview of our KSDs and supporting strategic goals. You can use this as a tool to measure our effectiveness, we certainly will.

Key Success Driver 1: To be a High-Performing Organization

- By executing against a well-defined strategic planning cycle and performance metrics, including an Enterprise Risk Management (ERM) Strategy.
- By ensuring succession planning throughout the organization.
- By developing and implementing an environmental health and safety strategy.
- By achieving "best in class" status by recognized airport and business benchmarking metrics.
- By qualifying as a top 100 employer in the appropriate category.

Key Success Driver 2: To Optimize the Customer Experience

- By achieving and maintaining 100% operational status for our airport(s) and facilities.
- By playing a leadership role in the Network of Airports in the RMWB, including the CRISP Air Transportation process.
- By building a new YMM facility by 2014 designed to 2030 requirements.
- By becoming an International Airport, including Cargo, by 2014.
- By effectively optimizing the existing FMA terminal in the interim period.
- By being measured in the superior category by industry standards (ACINA, IATA) by 2014.
- By achieving optimal air service.

Key Success Driver 3: To Achieve Environmentally Responsible, Sustainable and Profitable Growth

- By implementing a financial strategy to meet our strategic goals.
- By developing and implementing an environmentally responsible multi-year growth strategy.

Key Success Driver 4: To Foster Effective Stakeholder Relationships

- By achieving a high Reputation Management Scorecard rating by 2014.
- By establishing a meaningful community presence through development of a Community Investment Plan.
- By achieving positive media coverage regarding airport affairs as measured by media coverage monitoring.

Management Discussion & Analysis

Management Discussion & Analysis

Foward Looking Statements

This MD & A contains information that is forward looking which reflects management's expectations regarding the Authority's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "believe", "expect" and similar expressions have been used to identify these forward looking statements. The statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward looking statements. Although the forward looking statements contained in this MD & A are based upon what management believes to be reasonable assumptions, the Authority cannot assure readers that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD & A.

Annual Financial Information

This Management Discussion and Analysis (MD&A) of the Fort McMurray Airport Authority (FMAA) for the twelve months ended December 31, 2010 should be read in conjunction with the Fort McMurray Airport Authority Annual Financial Statements and notes as at December 31, 2010.

The accompanying audited financial statements of the FMAA have been prepared by and are the responsibility of the Authority's management. The Authority's audited financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Additional information relating to the Authority is posted at www.flyfortmac.ca.

The Fort McMurray Airport Authority was incorporated in December 2009 under the Regional Airport Authorities Act (Alberta) and its first Board was formed effective January 1, 2010. It is the fourth airport authority to form in Alberta. In Alberta, Airport Authorities act as businesses independent of governments, but accountable through regulations and good business practice to users and appointers. Effective January 1, 2010, the Authority completed the process of acquiring the assets of the Fort McMurray Airport (FMA) from the Municipality.

Fort McMurray Airport is Alberta's air gateway to the Athabasca Oil Sands which is a major contributor to the prosperity of Alberta and Canada. FMAA employs 50 people, with hundreds of others involved in the many businesses at and near the airport. FMAA is committed to the development of an international air terminal and is considering other major initiatives related to airport activity.

FMAA has experienced significant growth over the last few years, and along with planned growth there is a need to improve the airport infrastructure to serve the needs of the region. The Airport Redevelopment and Expansion project has commenced that will see the development of a new air terminal building, apron and taxiway development, along with other infrastructure such as parking, roads and utilities. The project is planned to be completed by April, 2014.

FMAA, like other airport authorities, is dependent on the level of aviation activity, including passengers at its airport. Fort McMurray Airport (FMA) is currently served by seven air carriers providing regularly scheduled passenger service to over six non-stop domestic destinations. In addition, there are seven carriers providing charter passenger services. Currently there are no cargo carriers providing freight or integrated courier services with the two major commercial carriers providing limited cargo capacity in the belly of passenger aircraft serving FMA.

The following table reflects the passenger activity for 2010 with comparative information from 2005 to 2009. On the annual basis, traffic for 2010 was 714,659, compared to the 2009 total for the year of 704,362, an increase of 1.5 percent.

Passenger Activity

	2005	2006	2007	2008	2009	2010
Q1	77,862	100,731	140,484	169,521	174,154	172,413
	32.4%	29.4%	39.5%	20.7%	2.7%	-1.0%
Q2	78,536	107,060	146,994	183,194	176,528	176,847
	29.9%	36.3%	37.3%	24.6%	-3.6%	0.2%
Q3	81,329	114,916	152,164	192,974	182,278	183,455
	30.0%	41.3%	32.4%	26.8%	-5.5%	0.6%
Q4	89,143	120,980	156,029	190,298	171,402	181,944
	33.5%	35.7%	29.0%	22.0%	-9.9%	6.2%
Annual	326,870	443,687	595,671	735,987	704,362	714,659
	31.5%	35.7%	34.3%	23.6%	-4.3%	1.5%

The following table reflects the aircraft movements for 2010 with comparative information from 2005 to 2009. There was a total of 63,808 aircraft movements or a decrease of 0.3% from the 2009 total of 64,005.

Aircraft Movements

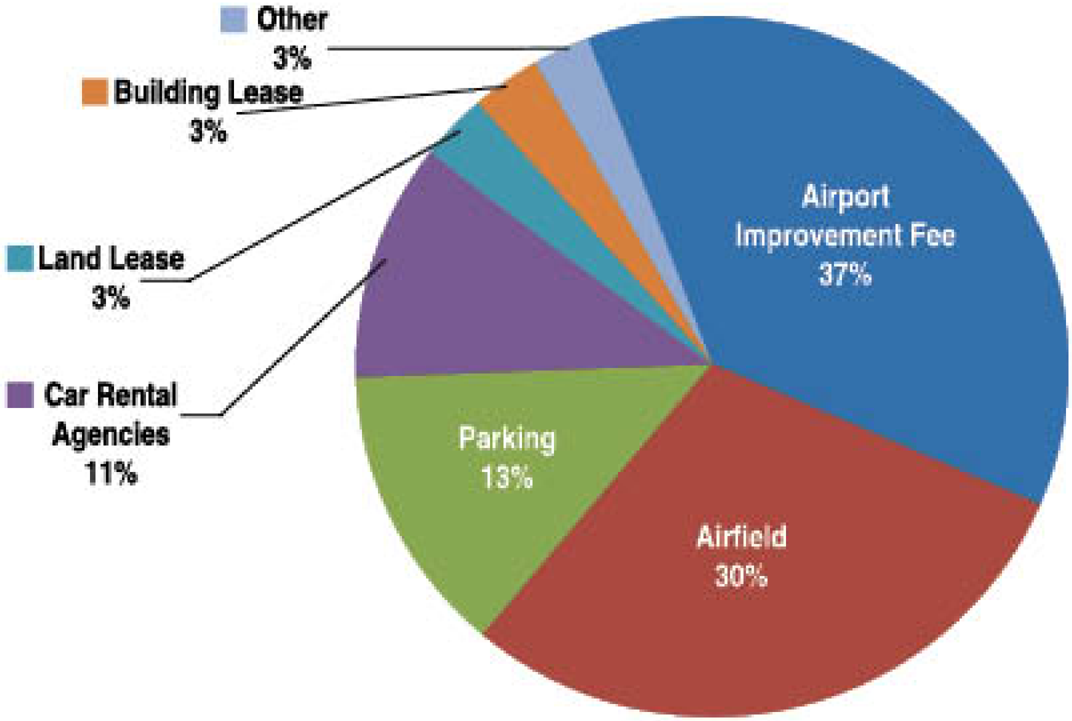
	2005	2006	2007	2008	2009	2010
Q1	7,956	9,819	11,299	13,791	11,538	12,747
	8.5%	23.4%	15.1%	22.1%	-16.3%	10.5%
Q2	16,273	19,606	20,193	20,533	20,313	20,560
	26.8%	20.5%	3.0%	1.7%	-1.1%	1.2%
Q3	16,353	20,385	23,310	21,482	18,634	18,937
	1.2%	24.7%	14.3%	-7.8%	-13.3%	1.6%
Q4	12,926	13,644	14,049	14,653	13,520	11,564
	49.9%	5.6%	3.0%	4.3%	-7.7%	-14.5%
Annual	53,508	63,454	68,851	70,459	64,005	63,808
	19.0%	18.6%	8.5%	2.3%	-9.2%	-0.3%

2010 Financial Performance

In 2010, FMAA had a net loss of $3.0 million. Positive operating cash flow was maintained with earnings before interest, taxes, depreciation and amortization (EBITDA) of $7.8 million. The following table outlines the results of 2010 on a quarterly basis.

	Q1 31-March-10	Q2 30-Jun-10	Q3 30-Sep-10	Q4 31-Dec-10	Total 2010
REVENUE					
Airport Improvement fee	$ 1,002,835	$ 1,746,928	$ 1,685,726	$ 1,775,716	$ 6,211,205
Other Airfield Revenue	1,292,607	1,291,230	1,226,887	1,154,615	4,965,339
Parking Revenue	497,232	568,036	571,245	583,563	2,220,075
Car Rental Agencies	417,578	466,406	475,508	480,540	1,840,033
Land Lease Revenue	98,990	102,159	111,922	167,727	480,797
Building Lease Revenue	101,891	131,328	135,757	143,736	512,713
Other Revenue	108,491	99,893	104,108	148,310	460,803
	$3,519,624	$4,405,980	$4,311,153	$4,454,207	$16,690,965
EXPENSES					
Salaries, Wages & Benefits	1,127,561	1,160,105	1,088,763	1,415,890	4,792,320
Operating	504,067	437,815	422,179	555,958	1,920,019
General & Administrative	439,432	247,458	257,584	447,843	1,392,317
Airport Improvement Fee Handling	79,920	112,603	123,568	124,254	440,345
Authority Board Costs	42,791	61,320	62,292	35,640	202,043
Loss (Gain) on Disposal Assets	0	99,924	(528)	0	99,395
Other Expenses	33,822	(17,116)	3,413	49,248	69,366
	$2,227,594	$2,102,109	$1,957,271	$2,628,833	$8,915,805
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION	**$1,292,031**	**$2,303,871**	**$2,353,882**	**$1,825,374**	**$7,775,160**
INTEREST, TAXES, DEPRECIATION & AMORTIZATION					
Amortization Expense	2,651,698	2,626,003	2,636,371	2,714,860	10,628,932
Interest on Loans - Operations	44,999	45,705	49,407	47,817	187,928
	2,696,697	**2,671,108**	**2,685,778**	**2,762,677**	**10,816,860**
NET INCOME (LOSS)	**($1,404,666)**	**($367,837)**	**($331,896)**	**($937,303)**	**($3,041,700)**
NET ASSETS, BEGINNING OF PERIOD	**143,373,908**	**141,969,242**	**141,601,407**	**141,269,512**	**143,373,908**
NET ASSETS, END OF PERIOD	**141,969,242**	**141,601,405**	**141,269,511**	**140,332,208**	**140,332,208**

REVENUE: YEAR ENDED DECEMBER 31, 2010



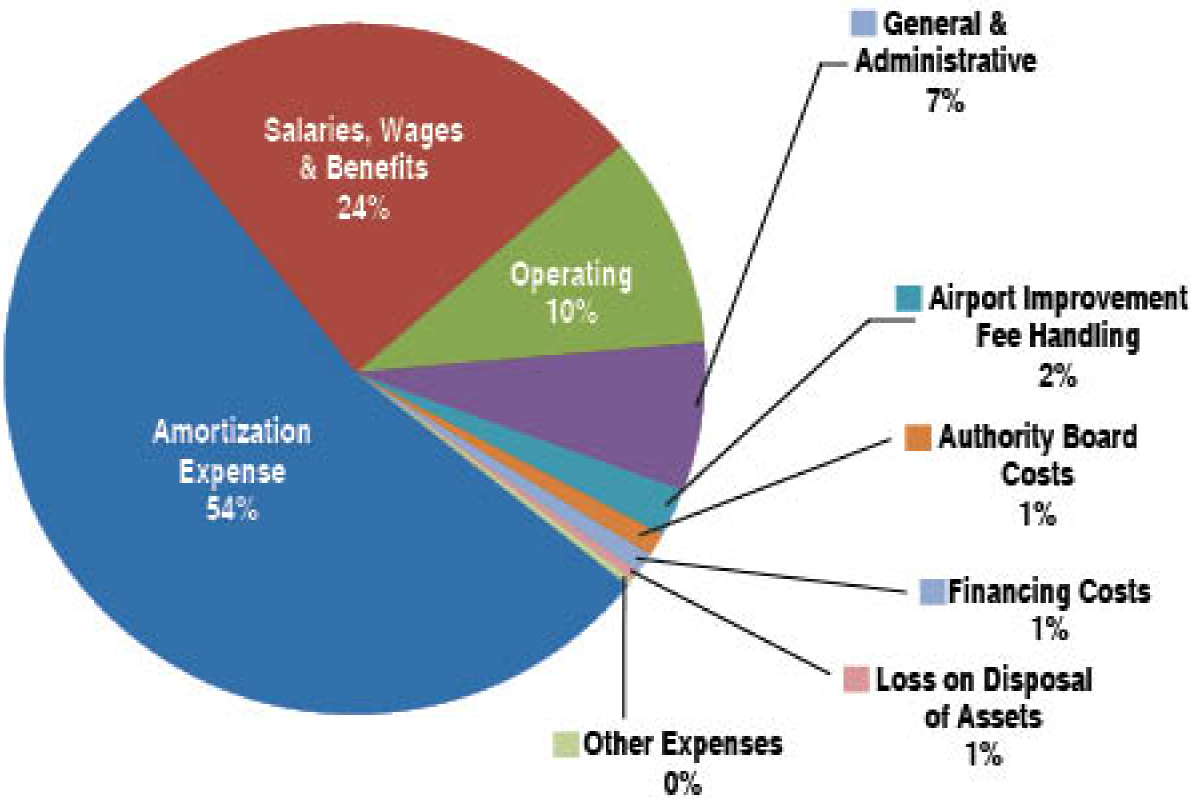
The FMAA achieved revenues of $16.7 million for the year.

The Airport Improvement Fees (AIF) is the largest component of revenue and is levied for each departing passenger using the air terminal building. The AIF is used to fund the redevelopment and expansion of the airport facilities, and to repay interest and principal when debt is used for redevelopment and expansion. In 2010, the AIF totaled $6.2 million (37.2% of total revenue). Since March 1, 2010, departing passengers have been charged an AIF at a rate of $20.00 for destinations outside the region, and $10 within the region. For the first two months of 2010, all AIF rates were $10 per departing passenger. Effective March 1, 2011 the AIF rate increased to $30 for departing passengers outside of the region.

Revenue from airline activity (Airfield– landing terminal and other related fees) totaled $5.0 million (29.7% of total revenue).

FMAA also earns revenue from other commercial activities including parking (13% of total revenue) car rental concessions (11% of total revenue), land leases (3% of total revenue) and building space leases/concessions (3% of total revenue). These are increasingly important revenue streams and the FMAA seeks to diversify its revenue and be less dependent on direct airline fees. In 2010, parking revenue totaled $2.2 million, car rental concession revenue totaled $1.8 million, land lease revenue totaled $0.5 million and building space lease/concession revenue totaled $0.5 million.

EXPENSES: YEAR ENDED DECEMBER 31, 2010



Expenses for the FMAA totaled $19.7 million.

The largest expense component is the amortization expenses which in 2010 were $10.6 million (54% of total expenses). With the new authority and the adoption of new accounting standards the FMAA elected to measure its land and buildings, and selected capital assets excluding the new terminal which is under construction, at its fair value as at January 1, 2010.

Salaries, wages and benefits were $4.8 million (24% of total expenses) for 2010. These include all FMAA personnel costs, but do not include any contracted services.

Operating expenses amounted to $1.9 million (10% of total expenses) for 2010. General and administrative expenses amounted to $1.4 million (7% of total expenses) for 2010. Other expenses include the AIF handling fee which includes the fees paid to the airlines for collecting the AIF on behalf of FMAA; this amounted to $0.4 million (2% of total revenue) in 2010. Other expenses include authority board costs of $0.2 million, financing costs of $0.2 million and loss on disposal of assets of $0.1 million.

Capital Asset Management

In 2010 FMAA invested $9.9 million in capital assets.

New Air Terminal Building

The FMAA announced the New Air Terminal Building project on December 10, 2010. The Air Terminal Building will be about 14,000 square metres and will have up to eight gates, served initially by three bridges, with the others being ground loading gates. A fourth bridge will be added as traffic grows. The building will be constructed on a site south of the existing air terminal building with a new access from Highway 69. The terminal will be a highly functional and efficient building with many amenities aimed at a high-level of customer satisfaction and service. Improvements will include all aspects of service: road access, parking, check in, security, hold room space baggage handling, food and beverage, retail, rental car facilities, arrivals level convenience, barrier free and general passenger experience. There is also a provision to make the terminal an International Airport, with flights for both cargo and passengers going to and from the USA and Mexico.

During 2010 $7.1 million was invested in this project primarily for design and some site works.

Maintenance Capital

In addition to the new Air Terminal Building, a further $2.8 million was invested in ongoing capital expenditures at the airport. The most significant projects included the development of a new administration centre ($1.2 million), air terminal building improvements ($0.4 million), airside lighting improvements ($0.3 million), parking improvements ($0.3 million) and other projects ($0.6 million).

Outlook

The economy recovered in 2010 from the economic volatility experienced in 2009. There continues to be some uncertainty, particularly in the Middle East; however, economic conditions are expected to continue to improve. An area to watch is how governments withdraw the monetary and fiscal stimulus programs without putting the economic recovery at risk. If these programs are withdrawn too quickly the recovery could stall, while if done too slowly inflation could rise quicker dampening longer-term growth.

The Alberta economy has weathered the economic downturn and is returning to a sustainable pace of growth. Over the medium term, strengthening investment, particularly in the unconventional oil sector, will boost employment and incomes in the province, despite weakness in the conventional gas sector.

Passenger Trends
Growth in passenger activity at the FMA is inextricably tied to capital expansion in the Athabasca Oil Sands. As we move beyond the current downturn into the next economic cycle, Fort McMurray is well-positioned to enjoy continued air service growth and an expansion of the air service route network.

At the international level, Canada is continuing with the implementation of air service liberalization, albeit at a modest pace. The FMAA is working to further improve scheduled passenger services in the years ahead. The inclusion of an international component in the new air terminal building and discussions with the Canada Border Services Agency for customs services could provide the opportunity for a scheduled and charter international service with the opening of the expanded facilities, if not before.

The Canada-United States market has grown substantially over the past few years and FMAA has had expressions of interest from air service providers to satisfy this market. Near-term growth in this market may be stimulated by the balance in currencies and provide increased opportunities for growth in the short-term.

The Canadian air carrier industry, dominated by Air Canada and WestJet, has experienced a level of success that parallels the Canadian economy. To date, aircraft load factors have remained high and both carriers have taken steps to cope with fluctuations in costs and demand. Fort McMurray continues to be an important domestic origin/destination airport for both carriers and this role will grow in the years ahead. Scheduled air travel to the north is provided by Tier 3 carriers and continues to be an important part of our service. Other small regional carriers will continue to find niche markets using FMA as a regional hub.

Five Year Financial Information

The following five-year financial outlook is based on current assumptions that are believed to be most likely given the current economic climate over this period. Passenger volumes, parking use, leasing activity, construction costs and capital investments are all critical supporting assumptions.

Five Year Financial Information

$, Except Ratios		2011	2012	2013	2014	2015
REVENUE						
Airport Improvement fee (net collection costs)*		$ 9,312,915	$ 10,142,801	$ 11,824,380	$ 13,320,976	$ 13,654,002
Airport Revenue		5,271,451	5,511,302	5,762,065	6,465,035	6,759,196
Parking, Leases & Other		5,360,653	5,539,843	5,725,715	6,352,382	6,668,307
Total Revenue		19,945,019	21,193,946	23,312,160	26,138,393	27,081,505
EXPENSES						
Operating Expenses		9,262,213	9,597,292	9,945,066	11,143,100	12,505,847
Total Expenses		9,262,213	9,597,292	9,945,066	11,143,100	12,505,847
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION	A	10,682,807	11,596,654	13,367,094	14,995,294	14,575,658
Interest (Net)	B	(46,345)	(226,358)	(528,855)	4,194,378	8,725,189
Available Cash Flow (A-B)		10,729,151	11,823,012	13,895,949	10,800,916	5,850,469
Amortization		10,939,744	11,009,744	11,149,744	14,586,444	18,023,144
Net Earnings (Loss)		(210,592)	813,268	2,746,205	(3,785,528)	(12,172,676)
Maintenance Capital Expenditures	C	1,705,000	1,400,000	1,400,000	1,400,000	1,400,000
Debt Service Amount						
Principal Payments		17,099,527	-	-	1,886,368	3,903,894
Interest Payments (including capitalized)	D	413,655	3,913,642	7,935,145	8,748,378	8,725,189
Debt Service Amount	E	17,513,182	3,913,642	7.935,145	10,634,746	12,629,083
Interest coverage Ratio ((A-C)/D) Required > 1.25		21.70	2.61	1.51	1.55	1.51
Debt Service Coverage Ratio (A/E)		0.61	2.96	1.68	1.41	1.15

*Includes Passenger Facilitation Fee

Capital Expenditures

The following table summarizes the projected maintenance and air terminal building project capital expenditures that are required for the next five years at FMA.

	2011	2012	2013	2014	2015
Capital Expenditures					
Maintenance	$ 1,705,000	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ 1,400,000
ATB Project	65,784,624	82,000,000	28,156,584	14,078,292	-
Other expansion	-	-	-	-	-
Total Capital Expendenitures	$67,489,624	$83,400,000	$29,556,584	$15,478,292	$1,400,000

Net Assets	
Net Assets transferred from the Regional Municipality of Wood Buffalo, January 1, 2010	$143,373,908
Less Net Book Loss for the four quarters ended December 31, 2010	$(3,041,700)
Net Assets, December 31, 2010	$140,332,208

FORT MCMURRAY AIRPORT AUTHORITY

FINANCIAL STATEMENTS

For the Year ended December 31, 2010

STATEMENT OF MANAGEMENT ACCOUNTABILITY

The financial statements of the Fort McMurray Airport Authority ("the Authority") are the responsibility of management and have been approved by the Board of Directors. The Authority's audited financial statements include disclosures necessary for a fair presentation of the financial position, results of operations and cash flows of the Authority and have been prepared in accordance with Canadian Accounting Standards for not for profit organizations ("GAPP"), and disclosure otherwise required by the laws and regulations to which the Authority is subject.

Deloitte & Touche LLP, an independent firm of Chartered Accountants, has been appointed by the Board of Directors as external auditors of the Authority. The Independent Auditor's Report to the Board of Directors, which describes the scope of their examination and expresses their opinion, is presented herein. The Board of Directors has appointed a Finance and Audit Committee, whose members are not employees of the Authority.

The Finance and Audit Committee of the Board of Directors meets periodically with management and independent auditors to review significant accounting, internal controls, and auditing matters. They also review and recommend the annual financial statements of the Authority to the Board of Directors.

Scott Clements
President and Chief Executive Officer

Ter Hamer
Chief Financial Officer

Deloitte.

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Independent Auditor's Report

To the Board of Directors of the Fort McMurray Airport Authority

We have audited the accompanying financial statements of Fort McMurray Airport Authority, which comprise the statement of financial positions as at December 31, 2010 and January 1, 2010, and the statements of operations and net assets and cash flows for the year ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fort McMurray Airport Authority as at December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the year ended December 31, 2010 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte & Touche LLP

Chartered Accountants

April 14, 2011

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FORT MCMURRAY AIRPORT AUTHORITY
Statement of Financial Position

As at December 31, 2010 and January 1, 2010

	December 31, 2010 $	January 1, 2010 $
ASSETS		
CURRENT		
Cash and cash equivalents	5,193,481	5,750,272
Accounts receivable	1,325,702	1,201,400
Inventory	190,091	193,784
Prepaid expenses	82,251	72,508
Mortgage receivable (Note 4)	18,863	17,467
	6,810,388	7,235,431
Tangible Capital Assets (Note 5)	148,928,721	150,749,453
Intagible Assets (Note 6)	50,822	0
Long-term Investments (Note 7)	720,688	843,751
Mortgage receivable (Note 4)	565,436	582,862
	157,076,055	159,411,497
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	1,817,655	2,248,467
Term debt (Note 8)	14,926,192	13,789,122
	16,743,847	16,037,589
COMMITMENTS AND GUARANTEES (Note 11)		
CONTINGENCIES (Note 13)		
Net Assets	140,332,208	143,373,908
	157,076,055	159,411,497

APPROVED BY THE BOARD

Jim McKenzie ________ Director

________ Director

FORT MCMURRAY AIRPORT AUTHORITY
STATEMENT OF OPERATIONS AND NET ASSETS

For the Year Ended December 31, 2010

	2010
REVENUE	
Airport Improvement Fee	6,211,205
Other Airfield Revenue	4,965,339
Parking Revenue	2,220,075
Car Rental Agencies Revenue	1,840,033
Land Lease Revenue	480,797
Building Lease Revenue	512,713
Other Revenue	460,803
TOTAL REVENUE	16,690,965
EXPENSES	
Amortization Expense	10,628,932
Salaries, Wages	4,792,320
Operating	1,920,019
General & Administrative	1,392,317
Airport Improvement Fee Handling	440,345
Loss on Disposal of Tangible Capital Assets	99,395
Financing Costs	187,928
Authority Board Costs	202,043
Other Expenses	69,366
TOTAL EXPENSES	19,732,665
NET DEFICIENCY OF REVENUE OVER EXPENSES	(3,041,700)
NET ASSETS, BEGINNING OF PERIOD	143,373,908
NET ASSETS, END OF PERIOD	140,332,208

FORT MCMURRAY AIRPORT AUTHORITY
Statement of Cash Flows

For the Year Ended December 31, 2010

	December 31, 2010 $
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES	
OPERATING	
OPERATING	
Net Deficiency Of Revenue Over Expenses	(3,041,700)
Items not affecting cash:	
Loss on disposal of tangible capital assets	99,395
Amortization of tangible capital assets	10,610,815
Amortization of intangible assets	16,940
Amortization of long term investment	1,177
	7,686,627
Change in non-cash working capital items	
Accounts Receivable	(124,302)
Inventory	3,693
Prepaid expenses	(9,743)
Accounts payable and accrued liabilities	(430,812)
	7,125,463
INVESTING	
Repayments of Mortgage Receivable	16,030
Expenditures on Major Capital Project	(7,195,578)
Other Capital Expenditures	(2,768,694)
Purchase of intangible assets	(67,762)
Proceeds from disposal of Tangible Capital Assets	1,074,794
Net change in Long term investments (Note 7)	121,886
	(8,819,324)
FINANCING	
Proceeds from term debt	1,412,626
Repayment of term debt	(275,556)
	1,137,070
NET CASH FLOW	(556,791)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,750,272
CASH AND CASH EQUIVALENTS, END OF YEAR	5,193,481

1. NATURE OF OPERATIONS

The Fort McMurray Airport Authority (The "Authority") was incorporated December 1, 2009 and began operating January 1, 2010, under the provisions of the Regional Airports Authorities Act (Alberta) (the "Act") for the purpose of managing the Fort McMurray Airport (the "Airport") in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. In accordance with the provisions of the Act, all Authority surpluses are applied towards promoting its purposes, and no dividends are paid out of the surpluses. Surpluses in these financial statements are described as net assets.

It is expected that the Authority's earnings that are generated from airport-related operations will be exempt from income taxes pursuant to the Airport Transfer (Miscellaneous Matters) Act ("ATMMA"), S.C., 1992 C.5.

Transfer of Assets

Effective January 1, 2010 the Authority entered into a Transition and Transfer agreement with the Regional Municipality of Wood Buffalo to transfer the assets and operations of the Fort McMurray Regional Airport Commission (the "Commission") to the Authority. Tangible Capital Assets of the Commission were transferred to the Authority for a nominal amount through a Bill of Sale, Assignment and Assumption Agreement. Tangible Capital Assets were recorded on transfer at the carrying amount of the Commission.

The Regional Municipality of Wood Buffalo, through Council Resolution January 26, 2010, formally transferred membership and interest in the Commission to the Authority to be effective January 1, 2010. The Authority assumed the operations of the former Commission as a subsidiary of the Authority, appointing the Authority Chief Executive Officer and Chief Financial Officer as sole directors of the Commission. Upon transfer, the assets, liabilities, and net assets of the Commission were assumed by the Authority. The impact of the Commission Transition and Transfer is reflected in the Statement of Financial Position January 1, 2010 balances.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended December 31, 2010, the Authority early adopted the new Canadian accounting standards for non-for-profit organizations (the "new standards") adopted by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-Time Adoption by Not-for-Profit Organizations ("Section 1501"), the Authority has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 1501, the Authority:

a. Recognized all assets and liabilities whose recognition is required by the new standards;
b. Did not recognize items as assets or liabilities if the new standards do not permit such recognition
c. Reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
d. Applied the new standards in measuring all recognized assets and liabilities.

As described below, the Authority has elected to adopt the exemptions available under Section 1501 relating to fair value of capital assets.

Tangible Capital Assets
The Authority has used one of the exemptions provided in Section 1501 and has elected to measure its land and buildings, and certain vehicles and equipment, excluding the new terminal which is under construction, at its fair value as at January 1, 2010. This fair value becomes the deemed cost of the assets.

Included in net assets is an adjustment of $118,702,723 as at January 1, 2010 representing the difference between the fair value of land and buildings, and certain vehicles and equipment, and its transferred amount.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("GAAP") and reflect the following significant accounting policies:

Cash and Cash Equivalents
Cash and Cash Equivalents include cash on deposit with financial institutions and short-term investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents also include bank indebtedness consisting of overdrawn bank accounts. Bank indebtedness is included in cash and cash equivalents as it regularly fluctuates from being positive to over-drawn.

Accounts Receivable
Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts where considered necessary.

Inventory
Inventory is valued at the lower of cost and the net realizable value with the cost being determined on a first in, first out basis.

Tangible Capital Assets
Tangible Capital assets exclude the cost of facilities constructed on airport lands which are owned by tenants. Incremental interest incurred during the construction of tangible capital assets of $325,102 are included as part of the cost of the assets. Tangible Capital assets are recorded at cost.

Amortization is based on their estimated useful life at the following rates using the straight line method:

Buildings	15-34 years
Maintenance Equipment	10 years
Airside/Groundside Paving Structures	10 years
Airside Lighting Structures	10 years
Parking Lots	6-20 years
Apron & Taxiways	11 years
Light Vehicle Fleet	4-5 years
Fire Trucks	10 years
Firefighter Equipment	5 years
Furniture & Fixtures	5 years
Computer Hardware	3 years

Intangible Assets
Intangible assets with a finite life are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method over two years.

Long-Term Investments
Long-term investments are recorded at cost. Earnings from these investments are recognized only to the extent received or receivable. The Authority recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

Impairment of Long-Lived Assets
When a long-lived asset no longer has any long-term service potential to the Authority, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. No impairment loss was recorded for the year ended December 31, 2010.

Revenue Recognition
The Authority recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the user is fixed or determinable and collection is reasonably assured. Specifically, revenue generated from Airport Improvement Fees, Airfield revenues, fees charged for parking, Car Rental Agencies, land lease, building lease and other revenues, are recognized as the airport facilities are utilized. Concession revenues are charged on a monthly basis and are recognized on a percentage of sales or specified minimum rent basis. Other rentals are recognized over the term of the respective agreements. The Authority follows the deferral method of revenue recognition for externally restricted revenues.

Airport Improvement Fees
The Authority derives revenue from the Airport Improvement Fee ("AIF"), which is collected by air carriers pursuant to an agreement among various airports in Canada, The Air Transport Association of Canada and air carriers serving airports that are signatories to the agreement. AIF revenue is used to fund the costs of new airport infrastructure, as well as major improvements to existing facilities at Fort McMurray Airport. The AIF as at December 31, 2010, was $20. It was $10 as at January 1, 2010, increasing to $20 in February, 2010 excepting for passengers departing to local area destinations. At December 31, 2010, restricted cash related to AIF was $ nil. The AIF revenue is recognized when departing passengers board their aircraft as reported by the airlines.

Use of Estimates
The preparation of financial statements in conformity with Canadian Accounting Standards for Not for Profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year.

Financial instruments
Financial assets and financial liabilities are initially recognized at fair value when the Authority becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following instruments:

a. Investments in unlisted shares are measured at cost less any reduction for impairment;
b. Investments in listed shares and derivative financial instruments that are not designated in a qualifying hedging relationship are measured at fair value at the balance sheet date. The fair value of listed shares is based on quoted bid prices while the fair value of the derivative financial instruments is based on fair value confirmation received from the banker with whom those instruments are negotiated. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Authority recognizes in operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in operations in the period the reversal occurs.

4. MORTGAGE RECEIVABLE

The Authority assumed a mortgage receivable previously advanced by the Commission to a member of the Senior Management. The mortgage bears interest at 3.5% per annum, principal and interest payments of $1,437 biweekly and is due May, 2033. The loan is secured by the related asset. The current portion of the mortgage is $18,863 (January 1, 2010 - $17,467) and the long-term portion of the mortgage is $565,436 (January 1, 2010 - $582,862). The total amounts owing to the Authority as of December 31, are $584,299 (January 1, 2010 - $600,329). Interest income earned in the year was $21,344.

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2010			January 1, 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 24,690,500	$ 0	$ 24,690,500	$ 24,690,500
Buildings	38,527,457	939,165	37,588,292	30,893,127
Maintenance Equipment	135,280	12,637	122,643	115,967
Groundside Paving Structures	9,683	484	9,199	0
Airside Paving Structures	44,186,851	4,406,843	39,780,008	43,950,000
Airside Lighting Structures	2,369,600	223,046	2,146,554	2,091,319
Parking Lots	2,565,656	294,032	2,271,624	2,308,181
Apron & Taxiways	41,535,313	3,775,938	37,759,375	41,535,313
Light Vehicle Fleet	3,826,476	770,598	3,055,878	3,718,020
Fire Trucks	1,357,262	135,726	1,221,536	1,357,262
Firefighter Equipment	39,200	7,840	31,360	39,200
Furniture & Fixtures	149,335	20,018	129,317	50,564
Computer Hardware	146,922	24,487	122,435	0
	$159,539,535	$10,610,814	$148,928,721	$150,749,453

The Royal Bank of Canada holds a General Security Agreement over all personal property of the Fort McMurray Airport Authority.

6. INTANGIBLE ASSETS

	December 31, 2010			January 1, 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer Software	$ 67,762	$16,940	$ 50,822	$ 0
	$ 67,762	$16,940	$ 50,822	$ 0

7. LONG-TERM INVESTMENTS

	December 31, 2010	January 1, 2010
Guaranteed Deposits	$563,322	$658,208
Alberta Oilsands Inc.	12,150	12,150
995442 NWT Ltd. (Nova Hotel)	145,216	146,393
	$720,688	$843,751

Guaranteed Deposits
Guaranteed Deposits, including accrued interest, consist of Guaranteed Investment Certificates with interest rates ranging from 1.9% to 4.5% and maturity dates from August 2011 to July 2014.

Alberta Oilsands Inc.
The Authority holds a royalty interest on oil production from its property and warrants to purchase 2,000,000 shares of Alberta Oilsands Inc. (AOS). The investment in AOS is recorded at cost being the legal costs incurred in reviewing the warrant agreement. The agreement included warrants to acquire shares at prices currently in excess of market, and an overriding royalty on production from airport lands.

995442 NWT Ltd. (Nova Hotel)
The Authority has a 30 year lease with 995442 NWT Ltd. for a hotel at the airport. The Authority investment in 995442 NWT Ltd. consists of the engineering and legal costs to review the lease agreement. The hotel opened September 2010 and pays a nominal monthly rent plus a percentage of gross revenue. The carrying costs are amortized over the remaining life of the lease.

8. TERM DEBT

At December 31, 2010, the Authority had a term loan with the Royal Bank of Canada, bridge financing for the New Terminal, subject to interest only payments at prime + 0.5%. Subsequent to the year end, the loan was paid in full. See note #16.

The Authority also had a Royal Bank of Canada business term loan for existing runway and other capital requirements, loan interest at prime plus 0.5%. Subsequent to the year end, this loan was also paid in full, when long term financing was secured from The Alberta Capital Finance Authority. See note #16. These debts with the Royal Bank of Canada are included as a current liability on the Statement of Financial Position.

Capital debt relating to the Authority is as follows:

	December 31, 2010	January 1, 2010
Bridge Financing	$ 9,552,860	$8,140,234
Business Term Loan	5,373,332	5,648,888
	$14,926,192	$13,789,122

Under the terms of the facility, the Authority must satisfy certain restrictive covenants as to debt service coverage, and funded debt to earnings before interest, taxes and amortization. As of December 31, 2010, the Authority is in compliance with all such covenants.

9. RELATED PARTY TRANSACTIONS

Mortgage Receivable

The Authority assumed a mortgage receivable to a member of Senior Management. See Note 4 for particulars.

Regional Municipality of Wood Buffalo (RMWB)

The RMWB is an appointee of three directors to the Board of Directors of the Authority, and had previously appointed all directors to the predecessor Board of Directors of the Commission. The net assets of the Commission were transferred to the Authority with an effective date of January 1, 2010.

In 2010, the RMWB approved a By-Law which waives the RMWB portion of property taxes while leaving the Authority responsible for only that portion of the property taxes that are paid to the Provincial Government, as well as that portion of the property taxes used for Senior Citizen support.

Staff Housing

The Authority owns seven staff housing units all of which are rented to current employees. The rental charge is based on the housing policy of the RMWB. It is slightly below the perceived market rent in the community and has been treated as a taxable benefit to the involved employees. To the end of the current fiscal period, staff rents totaled $138,398 and the direct expenses associated with these are $101,152.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. PENSION AND RETIREMENT PLANS

Employees of the authority participate in the Local Authorities Pension Plan (LAPP), which is one of the multi-owner plans covered by the Public Sector Pension Plans Act of Alberta.

Total service contributions by the Authority to the LAPP were $269,681.

The Authority has a defined contribution supplementary retirement plan for Senior Executives. The expense recorded in the statements for the year is $31,417. The Authority requires members to contribute to the plan at a rate equal to that required by LAPP.

11. COMMITMENTS

The Authority intends to construct a new Airport Terminal with a projected opening of spring 2014, the approximate total construction cost of which is $198.2 million. As at December 31, 2010 the Authority has not entered into any construction contracts or commitments related to this planned project.

12. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, mortgage receivable, long term investments, and other like amounts that will result in future cash receipts, as well as accounts payable and accrued liabilities, long-term debt and other like amounts that will result in future cash outlays.

Credit risk

The Authority is exposed to credit risk as it provides credit to a large number of customers in the normal course of its operations. This risk is minimized through the Authority's diverse customer base and assessment of potential customer's financial condition prior to extending credit.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk. In seeking to minimize the risk from interest rate fluctuations, the Authority manages exposure through its normal operating and financing activities. The Authority is exposed to interest rate risk with respect to term loans subject to refinancing.

13. CONTINGENCIES

In the normal course of operations, there are pending claims against the Authority or assumed from the predecessor Commission. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, it is not possible to predict the ultimate outcome of these claims, if any, which may result.

14. ECONOMIC DEPENDENCE

Revenue generated from major airlines such as Air Canada / Jazz and WestJet account for approximately one-half of total revenues on a recurring basis. In addition, passengers flying with these airlines generate a significant portion of remaining revenue amounts. The Authority's ability to continue variable operations is dependent on Air Canada / Jazz and WestJet continuing to fly to and from the Airport. As of the financial statement date, the Authority believes that their relationship with these airlines will continue into the foreseeable future.

15. CAPITAL MANAGEMENT

The Authority's objectives when managing capital are:

- To safeguard the Authority's ability to continue as a going concern,
- To provide adequate capital to fund the Authority's growth, without charging Air Terminal users any more than is reasonably required.
- To meet debt covenants of current and future debt obligations.

Liquidity Risk

The Authority actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

Management believes that future cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Authorities financial liabilities. Further, management also believes that the planned financing required for the new Airport Terminal project being planned will be adequately serviced by the Airport Improvement Fees payable by departing passengers.

16. SUBSEQUENT EVENTS

Alberta Capital Finance Authority (ACFA)

On March 7, 2011, the Authority secured long term financing for construction of the new Airport Terminal Building scheduled to open April 2014. The new facility has estimated total construction costs of $198 million. Quarterly draws totaling $198 million have been set between March 2011 and September 2012 at a fixed rate of 4.719% for thirty years, due March 15, 2041. Interest only payments commence September 2011 with principal and interest payments scheduled to commence September 2014 in the amount of $13,046,904 annually. The debenture is secured by a first charge on all Authority assets.

A Letter of Credit in the amount of up to $10 million in support of the debenture issued by the Alberta Capital Finance Authority has been arranged by the RBC, pari passu with ACFA.

On March 21, 2011, the indebtedness with RBC of the Term Loans (Note 8) has been retired in full from the proceeds of the ACFA financing and from funds on deposit.

17. DIRECTOR & OFFICER REMUNERATION

This information is provided pursuant to The Regulations of the Act.

Total compensation paid and expenses reimbursed to each Director in 2010 was:

DIRECTOR REMUNERATION

	Gross Compensation	Travel
Jeffery Fitzner	25,555	1,322
Mildred Ralph	11,149	1,027
John Coyne	14,594	2,803
Roxanne Wells-Devany	12,975	4,458
Jonathan McKenzie	12,939	0
John Howard	16,133	1,079
Sheldon Schroeder	15,122	274
Roy Williams	11,301	4,979
Peter Wallis	5,414	2,401

OFFICER REMUNERATION

Total Compensation for Authority Officers in 2010 was as follows:

	CEO	COO	CFO
Salary (1)	$176,071	$148,375	$131,199
Pension Plan (2)	16,157	15,402	15,092
Taxable Benefits (3)	23,695	19,121	20,462
Bonus (4)	40,000	24,246	20,950
GROSS INCOME	$255,923	$207,144	$187,703
Travel	$32,827	$7,400	$7,702
Development & Training	$285	$4,271	$1,775

(1) Salary includes base salary and employee paid contributions.

(2) As disclosed in Note 10, the CEO and CFO participate in a supplementary retirement plan for senior executives.

(3) Taxable benefits include vehicle allowances, health benefits paid and cost of living allowances

(4) Included in Accounts Payable and Accrued Liabilities

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