

Financial Statements of

EMISSIONS REDUCTION ALBERTA

(Emissions Reduction Alberta is a registered trade name of Climate Change and Emissions Management (CCEMC) Corporation)

Year ended May 31, 2025



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Emissions Reduction Alberta

Opinion

We have audited the financial statements of Climate Change and Emissions Management (CCEMC) Corporation (operating as Emissions Reduction Alberta) (the "Entity"), which comprise:

- the statement of financial position as at May 31, 2025
- the statement of changes in net assets for the year then ended
- the statement of operations for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at May 31, 2025, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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



Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the 2024-2025 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2024-2025 Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants

Edmonton, Canada

September 22, 2025

EMISSIONS REDUCTION ALBERTA

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EMISSIONS REDUCTION ALBERTA

Statement of Financial Position

As at May 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	\$ 309,545,946	\$ 157,646,344
Accounts receivable	37,756	104,678
Grants receivable (note 3)	53,868,037	50,000,000
Interest receivable	1,689,855	9,183,384
Prepaid expenses	291,508	205,996
Prepaid project expenses (note 4)	4,599,588	-
Short-term investments (note 5)	40,000,000	330,000,000
	410,032,690	547,140,402
Non-current assets		
Long-term investments (note 5)	190,000,000	-
Property and equipment (note 6)	187,500	90,798
Grants receivable (note 3)	429,782	-
Interest receivable	3,538,748	-
	\$ 604,188,720	\$ 547,231,200
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (notes 7 and 10)	\$ 9,211,296	\$ 6,558,532
Deferred revenue	-	18,500
Deferred lease liabilities (note 8)	2,882	-
	9,214,178	6,577,032
Non-current liabilities		
Deferred lease liabilities (note 8)	226,808	-
	9,440,986	6,577,032
Net assets		
General fund - unrestricted	258,341	(201,883)
Restricted fund (note 9)	594,489,393	540,856,051
	594,747,734	540,654,168
Commitments and guarantees (notes 8 and 10)		
	\$ 604,188,720	\$ 547,231,200

See accompanying notes to financial statements.

On behalf of the Board of Directors:



Director



Director

EMISSIONS REDUCTION ALBERTA

Statement of Changes in Net Assets

For the year ended May 31, 2025, with comparative information for 2024

			2025	2024
	General Fund	Restricted Fund	Total	Total
Balance, beginning of year	\$ (201,883)	\$ 540,856,051	\$ 540,654,168	\$ 553,360,765
Excess (deficiency) of revenue over expenses for the year ended	460,224	53,633,342	54,093,566	(12,706,597)
Balance, end of year	\$ 258,341	\$ 594,489,393	\$ 594,747,734	\$ 540,654,168

See accompanying notes to financial statements.

EMISSIONS REDUCTION ALBERTA

Statement of Operations

For the year ended May 31, 2025, with comparative information for 2024

			2025	2024
	General Fund	Restricted Fund	Total	Total
Revenue				
Grant revenue (note 3)	\$ -	\$ 111,004,628	\$ 111,004,628	\$ 51,880,976
Interest income (note 5)	-	25,577,713	25,577,713	29,693,191
Other Income	460,870	120,088	580,958	
	460,870	136,702,429	137,163,299	81,574,167
Project expenses (note 10)	-	71,717,285	71,717,285	84,345,763
Excess (deficiency) of revenue over project expenses	460,870	64,985,144	65,446,014	(2,771,596)
Operating expenses				
Program management (note 7)	-	9,156,994	9,156,994	7,738,877
Consulting contracted services	-	657,873	657,873	922,779
Corporate costs	-	1,331,284	1,331,284	1,032,687
Amortization (note 6)	-	60,204	60,204	32,335
Conference expenses	646	-	646	112,322
Board remuneration and expenses (note 7)	-	145,448	145,448	96,001
Total operating expenses	646	11,351,802	11,352,448	9,935,001
Excess (deficiency) of revenue over expenses for the year	\$ 460,224	\$ 53,633,342	\$ 54,093,566	\$ (12,706,597)

See accompanying notes to financial statements.

EMISSIONS REDUCTION ALBERTA

Statement of Cash Flows

For the year ended May 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 54,093,566	\$ (12,706,597)
Items not involving cash:		
Amortization of property and equipment	60,204	32,335
Loss on disposal of property and equipment	754	-
Gain on disposal of property and equipment	(341)	-
Change in non-cash operating working capital:		
Deferred revenue	(18,500)	18,500
Accounts receivable	66,921	(58,710)
Grant receivable	(4,297,819)	71,547,541
Interest receivable	3,954,781	(5,823,866)
Prepaid expenses	(85,512)	(122,638)
Prepaid project expenses	(4,599,588)	-
Accounts payable and accrued liabilities	2,652,764	(6,037,145)
Deferred lease liabilities	229,690	-
	52,056,920	46,849,420
Investing activities:		
Proceeds from sale of property and equipment	571	-
Purchases of property and equipment	(157,889)	(69,746)
Purchase of short-term investments	(40,000,000)	(330,000,000)
Purchase of long-term investments	(190,000,000)	-
Sale of short-term investments	330,000,000	80,000,000
	99,842,682	(250,069,746)
Increase (decrease) in cash during the year	151,899,602	(203,220,326)
Cash, beginning of year	157,646,344	360,866,670
Cash, end of year	\$ 309,545,946	\$ 157,646,344

See accompanying notes to financial statements.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements

For the year ended May 31, 2025, with comparative information for 2024

1. Authority:

Climate Change and Emissions Management (CCEMC) Corporation ("CCEMC") is an Alberta-based, independent, not-for-profit organization incorporated under the Canada Corporations Act on February 17, 2009, and continued under the Canada Not-for-profit Corporations Act on October 14, 2016; its operations commenced on June 1, 2009. On October 21, 2016, CCEMC registered the trade name of Emissions Reduction Alberta ("ERA") and uses this as its operating name. ERA's mandate is to reduce emissions and support competitiveness and growth of Alberta's economy by accelerating the development and adoption of innovative technology solutions. The Technology Innovation and Emissions Reductions Fund (the "TIER Fund") is established under the Emissions Management and Climate Resilience Act, SA 2003, c. E-7.8 (the "Act") by the Government of Alberta to support investment in innovation and clean technologies that will reduce Alberta's emissions of specified gases and support its ability to adapt to climate change. The TIER Fund provides the primary source of revenue for ERA's Government of Alberta grant. ERA may also receive funding from the Government of Canada, including funding from Natural Resources Canada and Environment and Climate Change Canada. Separate funding agreements are executed with these entities.

The Government of Alberta and ERA entered into a Grant Agreement dated and effective March 8, 2017, together with an Amending Agreement dated October 11, 2024, for the period up to and including March 31, 2026, with respect to funding under the Act. This is supplemented by a Memorandum of Understanding dated and effective April 6, 2023, together with an amending agreement dated December 12, 2024 which outlines roles and responsibilities of both parties to the Grant Agreement.

As a not-for-profit organization, ERA is exempt from tax in accordance with Section 149(1)(l) of the Income Tax Act (Canada).

Subsequent to year end, on June 5, 2025, ERA's "Emissions Reduction Alberta Clean Fuel Regulations Compliance Fund" (CFR Fund) was approved as a registered Emission Reduction Funding Program (ERFP) under Clean Fuel Regulations (CFR) with Environment and Climate Change Canada. The CFR is designed to incentivize innovation and adoption of clean technologies and expand the use of low carbon intensity fuels throughout the economy. A primary supplier may choose to contribute to a registered ERFP in order to satisfy up to 10% of its annual carbon intensity reduction requirement. A ERFP must use all contributions by primary suppliers to fund projects that support the deployment or commercialization of technologies or processes that will reduce carbon dioxide equivalent (CO₂e) emissions.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in part III of the CPA Canada Handbook. ERA's significant accounting policies are as follows:

(a) Fund accounting:

For financial reporting purposes, the accounts have been classified into the following funds:

General Fund

The General Fund includes all resources available for immediate purposes and accounts for ERA's activities other than those directly attributable to funding innovation and clean technologies and adaptation to climate change.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

General Fund (continued):

The General Fund includes all unrestricted monies received that are available for use at ERA's discretion. ERA co-hosted the GHGT-17 conference in October 2024. ERA acted as an agent in these transactions and recorded proceeds at the conclusion of the event.

Restricted Fund

The Restricted Fund includes those funds that are to be used to support investment in innovation and clean technologies and adaptation to climate change. Subsequent to year end, ERA has established a second restricted fund, the CFR Restricted Fund to account for all transactions related to operating the CFR Fund.

(b) Revenue recognition

These financial statements have been prepared using the restricted fund method of accounting for contributions, the key elements of which are:

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue of the Restricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted amounts can only be used for the purposes designated by external parties.

Investment income earned on contributions subject to external restrictions is recorded as revenue of the Restricted Fund in the year it is earned.

For contracts fulfilled over a period of time, ERA recognizes revenue using the percentage of completion method. The degree of completion is determined using an input-based method. In the application of percentage of completion, total expected costs to complete are determined at contract inception and are periodically reviewed. Percentage of completion is then determined based on total costs incurred to date. Funds received prior to the delivery of a milestone will be recorded as deferred revenue until such time as the recognition criteria are met.

(c) Financial instruments

ERA currently does not hold any equity instruments that would be measured after initial recognition at fair value. Financial assets and financial liabilities are initially recognized at fair value, less transaction costs, when ERA becomes a party to the contractual provisions of the financial instrument and subsequently are measured at amortized cost with any changes recorded in the Statement of Operations.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

2. Significant accounting policies (continued):

(d) Cash

Cash consists of cash on deposit. Amounts held will be used to fund project funding commitments for executed agreements, approved projects and initiated funding calls as outlined in note 10 to the financial statements.

(e) Short-term investments

Short-term investments are guaranteed investment certificates (“GICs”). GICs that mature in 12 months or less are measured at cost, recorded as short-term investments and any interest is accrued as earned.

(f) Long-term investments

Long-term investments are GICs that mature in over 12 months are measured at cost, recorded as long-term investments and any interest is accrued as earned.

(g) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Computer equipment and software	3 years
Furniture and fixtures	5 years
Leasehold Improvements	Term of lease/8 years

(h) Project expenses and liabilities

Project expenses and the associated project liability (included in accounts payable and accrued liabilities) are recognized on receipt by ERA of a valid project progress report and associated milestone invoices. A commitment for project funding is disclosed as such when a contribution agreement is executed. Refer to Note 10 for commitment disclosures.

(i) Use of estimates and judgements

The preparation of financial statements in conformity with ASNPO requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Estimates and underlying assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in judgements, estimates and assumptions based on new information could result in a material change to the carrying amount of assets or liabilities and subsequently have a material impact on assets, liabilities, revenues, and expenses recognized in future periods.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

3. Grant revenue:

Funds are granted from the Government of Alberta to ERA on an annual basis through a Grant Agreement. The current Grant Agreement was executed on March 8, 2017, amended on October 11, 2024, and is effective until March 31, 2026. The Amendment states that interest amounts earned in a given fiscal year are to be reported to the Government of Alberta and future grant amounts may be adjusted for interest earned in the prior period.

On August 26, 2024, ERA received a letter confirming a TIER Fund allocation of \$50 million for fiscal year 2024-25. This letter also confirmed that the grant allocation would be reduced by \$29.7 million for interest earned in the prior year resulting in a disbursement of \$20.3 million. These funds are to be used to execute ERA's business plan, as well as for the purposes stated in the Grant Agreement and the MOU. On August 27, 2024 ERA received a letter confirming an additional \$14 million to build on the success of the Alberta Innovates work to support investments aligned with the Advanced Materials focus area of ERA's 2024-27 Business Plan. On March 12, 2025, an additional \$22.4 million of funding was confirmed to support investments in the deployment of a Methane Incentive Program to support investments in the deployment of methane emissions reduction technologies. On April 29, 2025, a further allocation of \$50 million for a Tailings Challenge was confirmed that will advance oil sands mine water treatment technologies; this amount is included as a grant receivable as at May 31, 2025 and was received June 19, 2025. All other funding amounts noted above were received during the fiscal year

On June 24, 2024, ERA signed an agreement with Natural Resources Canada (NRCan) related to a \$40 million grant for the Greening Industrial Facilities and Manufacturing Program (GIFMP). GIFMP provides financial assistance to support the implementation of energy efficiency and energy management solutions in industrial facilities. This program will be augmented by \$10 million already provided by the Government of Alberta to ERA from the TIER Fund. The Strategic Energy Management for Industry (SEMI) program was launched in the fall of 2024 and will run to March 31, 2027. ERA recognized \$4.3 million of GIFMP grant revenue based on the percentage of completion method as of May 31, 2025 which was included as a grant receivable; \$3.9 million was received July 2, 2025.

		Revenue Recognized		Grant Receivable		Grant Receivable (LT)
Government of Alberta	\$	106,706,809	\$	50,000,000	\$	-
Natural Resource Canada		4,297,819		3,868,037		429,782
	\$	111,004,628	\$	53,868,037	\$	429,782

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

4. Prepaid project expenses:

During the year, ERA made advance payments for three of its programs to support the early initiation of approved project activities. These payments were issued prior to the official completion of the respective milestones and, as such, represent expenditures for services or deliverables to be received in future periods. These advance payments have been recognized as prepaid expenses as at May 31, 2025. The total amount recorded as prepaid project expenses is classified as a current asset because all prepaid project expenses are expected to be applied against project milestones to be completed in the coming fiscal year. Prepaid project expenses by program are summarized below:

	2025	2024
Strategic Energy Management Incentive (SEMI) Program	\$ 2,953,200	\$ -
Call 13 – Emerging Innovators	1,196,388	-
Lab Services Incentive Program (LSIP)	450,000	-
Total	\$ 4,599,588	\$ -

5. Financial instruments:

ERA's financial instruments are exposed to certain financial risks, including credit risk, market risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss to ERA if a party to a financial instrument fails to meet its contractual obligations and arises from cash, short-term investments, interest receivable, accounts receivable and grants receivable. The maximum amount of credit risk exposure is limited to the carrying value of the balances disclosed in these financial statements.

Management monitors these accounts regularly and does not believe ERA is exposed to significant credit risk at the statement of financial position date as all balances are from counterparties where collectability is reasonably assured.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

5. Financial instruments (continued):

Market risk

Market risk is the risk changes in market prices, such as interest rates, will affect ERA's interest income or the value of the financial instruments held. ERA is subject to interest rate cash flow risk arising primarily from fluctuations in interest rates applied to its cash balances, which are subject to floating interest rates. Short-term investments consisting of Guaranteed Investment Certificates ("GICs") are at guaranteed rates and are not subject to changes in market rates until they expire and ERA renews the positions. Currently ERA holds the following GICs:

Guaranteed Institution	Maturity date	Principal	Interest rate
Scotiabank	June 11, 2025	\$ 5,000,000	5.20%
CWB	June 13, 2025	15,000,000	5.49%
CWB	September 13, 2025	20,000,000	4.54%
Short-term investments		\$ 40,000,000	
Scotiabank	November 3, 2026	30,000,000	3.98%
Scotiabank	November 23, 2026	75,000,000	4.14%
Scotiabank	November 25, 2026	25,000,000	3.98%
Scotiabank	December 23, 2026	40,000,000	3.75%
ATB	April 30, 2027	20,000,000	3.75%
Long-term investments		\$ 190,000,000	

Liquidity risk

Liquidity risk is the risk ERA will not be able to meet its financial obligations as they come due. Management mitigates liquidity risk by monitoring forecasted and actual cash flows to ensure sufficient liquidity to meet its liabilities. Accounts payable and accrued liabilities are due within the current operating period.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

6. Property and equipment:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 118,338	\$ (79,018)	\$ 39,320	\$ 56,835
Furniture and fixtures	157,477	(48,739)	108,738	33,963
Leasehold Improvements	43,028	(3,586)	39,442	-
	\$ 318,843	\$ (131,343)	\$ 187,500	\$ 90,798

Amortization of \$60,204 (2024 - \$32,335) was recognized in the statement of operations.

7. Board and management remuneration:

Total honoraria and expenses related to the directors of the board amounted to \$145,448 (2024 - \$96,001) in the fiscal year. Amounts paid to directors relating to reimbursements for meals, travel and accommodation was \$73,585 (2024 - \$34,363). Remuneration paid to directors, or their employers includes honoraria totaling \$68,808 (2024 - \$58,826) as follows:

	2025	2024
S. Applebaum (A)	\$ 1,312	\$ 410
C. Bak (B)	8,729	5,921
V. Bellissimo (C)	-	4,683
K. Birn (D)	4,484	410
M. Blackwell	6,560	4,729
K. Chisholm	6,135	5,099
D. Collyer (E)	-	4,541
S. Cullum (F)	3,081	-
J. Curran (G)	-	-
J. Doucet (H)	-	1,034
J. Dyring (I)	-	6,300
M. Gattinger (J)	123	-
S. Hastings-Simon (K)	-	3,335
C. Mather	11,699	8,909
C. Martineau (L)	984	410
D. Moss	6,079	5,879
K. Ogle (M)	15,688	7,166
D. Swampy (N)	3,934	-
S. Wilson (O)	-	-
	\$ 68,808	\$ 58,826

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

7. Board and management remuneration (continued):

- A) Appointed as committee member October 2023; Appointed to board June 2025.
- B) Board term concluded March 2025.
- C) Board term concluded January 2024.
- D) Appointed as committee member October 2023; Appointed to board June 2024.
- E) Board chair term concluded September 2023.
- F) Appointed to board December 2024.
- G) Appointed August 2022. Honorarium waived. Term concluded August 2024.
- H) Board term concluded June 2023.
- I) Board term concluded May 2024.
- J) Appointed to board June 2025.
- K) Term concluded January 2024.
- L) Appointed as committee member October 2023; Term concluded December 2024.
- M) Board Chair; Appointed November 2023.
- N) Appointed to board June 2024.
- O) Appointed August 2024. Honorarium waived.

Included in accounts payable and accrued liabilities is \$2,011 (2024 - \$1,587) related to board honorarium and expenses.

Program management expenses include remuneration to companies owned by senior management who report directly to the board, totaling fees of \$321,613 (2024 - \$304,999); of this amount, \$14,517 (2024 - \$7,749) is included in accounts payable and accrued liabilities.

8. Lease Commitments:

Edmonton Office: On February 1, 2024, ERA entered into an office lease agreement with a third-party landlord. The lease term is eight years, commencing on May 1, 2025 and ending on April 30, 2033. Under the lease agreement, ERA is responsible for monthly lease payments which include basic rent and additional rent related to operating costs (excluding property taxes). Currently the monthly lease payment is \$13,116.

Calgary Office: On February 2, 2023, ERA entered into an office lease agreement with a third-party landlord. The lease term is eight years, commencing on April 1, 2024 and ending on March 31, 2032. Under the lease agreement, ERA is responsible for monthly lease payments which include basic rent and additional rent related to operating costs (excluding property taxes). Currently the monthly lease payment is \$7,919.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

8. Lease Commitments (continued):

Both leases include incentives and special provisions. In accordance with ASPE Section 3065 Leases, ERA has classified these leases as operating leases and recognizes lease expenses on a straight-line basis over the entire lease term, including the early occupancy period. The related benefit is recorded as a deferred lease liability, amortized over the lease term to match lease expense recognition. As at May 31, 2025, ERA has recorded a deferred lease liability of \$229,690. Future minimum lease payments under each lease over the next five years are as follows:

<u>FY</u>	<u>Amount</u>		
	Edmonton office	Calgary office	Total
2026	\$ 152,546	\$ 95,954	\$ 248,500
2027	\$ 181,208	\$ 97,825	\$ 279,033
2028	\$ 194,610	\$ 104,373	\$ 298,983
2029	\$ 195,603	\$ 105,660	\$ 301,263
2030	\$ 197,010	\$ 109,285	\$ 306,295
Thereafter	\$ 591,530	\$ 205,666	\$ 797,196
Total	\$ 1,512,507	\$ 718,763	\$ 2,231,270

9. Restricted Fund:

The Restricted Fund consists of funds that are externally restricted by the respective funders (note 3) for the purpose of investing in various initiatives and projects related to reducing emissions of specified gases, supporting Alberta's ability to adapt to climate change, and other purposes included under section 10(3) of the Act. The funds are also restricted for the purpose of administering ERA, which includes fees, expenses, liabilities, and other costs.

10. Commitments and guarantees:

During the year, ERA approved funding for 56 projects, 4 projects that were in contribution agreement phase last fiscal year are now executed, 5 projects were cancelled, 9 projects were terminated, and 4 projects were not initiated. 6 projects that were approved in fiscal year 2025 remain at the approved status at 2025 year end. Terms used for projects include: Never initiated - cancelled projects without an executed Contribution Agreement; Cancellation - cancelled projects with an executed Contribution Agreement, however no payments are made; Terminated - cancelled projects with an executed Contribution Agreement and payments made for at least one completed milestone; On Hold - Active project with an executed Contribution agreement but temporarily paused due to internal or external factors without formal termination.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

10. Commitments and guarantees (continued):

As at May 31, 2025, ERA has 297 (2024 - 261) executed contribution agreements and has commenced or completed funding for 246 (2024 - 223) of these approved projects. Funding for 51 of the 297 projects executed has not commenced. Total committed funds for executed projects is the difference between the total funding approved for executed contribution agreements and project expenses incurred to date or contribution agreements cancelled or terminated. A summary of these amounts is outlined as follows:

	2025	2024
Total committed funds for executed projects - beginning of year	\$ 339,925,969	\$ 331,013,300
Total funds for executed projects approved or adjusted during the year	158,325,951	125,876,696
Project expenses incurred during the year	(62,890,256)	(63,212,043)
Contribution agreements cancelled or terminated during the year	(82,737,012)	(53,751,984)
Total committed funds for executed projects - end of year	352,624,652	339,925,969
Total funds for projects approved but not yet executed	22,369,150	41,829,275
Total commitments	\$ 374,993,802	\$ 381,755,244

Funds allocated to the executed contribution agreements are subject to ERA's review and approval prior to disbursement to ensure full compliance with the terms of the contribution agreement. The actual financial commitment could therefore differ materially from \$374,993,802 but will not exceed that amount. Project expenses incurred during the year decreased due to the timing of milestone deliverable completion on active projects. Sufficient funds are held in cash and short-term investments as at May 31, 2025, to service these commitments, approved projects, and other initiated commitments. Total project expenses noted above of \$62,890,256 (2024 - \$63,212,043) includes \$nil included in accrued liabilities (2024 - \$3,062,090) and \$6,864,800 included in accounts payable (2024 - \$2,114,843) at year-end. There are six projects totaling \$22,369,150 (2024 - \$41,829,275) that have been approved for funding by ERA's Board of Directors but for which contribution agreements have not yet been executed as of May 31, 2025.

Subsequent to year-end on June 17, 2025, ERA approved an additional twenty-one projects, eighteen of the projects were approved through the Advanced Materials Challenge, two through the Continuous Intake Program and one through Clean Energy Transition Partnership. Total dollar value approved was \$58,218,310 (2024 - \$73,859,848). These have not been reflected in the above table and are in addition to the total commitments of \$374,993,802.

Four of the previously executed projects have been terminated or cancelled, two approved projects will not proceed, and three projects had adjustments to the total commitment, totaling \$17,166,114. Six executed projects have been shifted to On Hold status, totaling \$25,729,167. Two approved projects, totaling \$8,083,500, now have an executed contribution agreement. As at September 22, 2025, ERA has 2 projects remaining, totaling \$8,700,000, which have been approved for funding by ERA's Board of Directors but for which contribution agreements have not been executed.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

10. Commitments and guarantees (continued):

In addition to the commitments noted above, ERA has approved incentive funding under its Energy Incentive Programs: Energy Savings for Business (ESB) and Strategic Energy Management for Industry (SEMI).

The ESB program was launched in November 2020 and is now closed to intake. Projects will complete up to September 2025 and the remaining incentive amounts will be paid upon successful completion of the projects. Program close out activities are currently underway. A summary of the ESB funding is outlined below:

	2025	2024
Total incentive funding pre-approved	\$ 300,000	\$ 4,790,802
Total incentive funding post-approved	200,000	7,115,675
Total Commitments - end of year	\$ 500,000	\$ 11,906,477

Total project expenses of \$71,717,285 include \$6,579,583 (2024 - \$21,133,719) of payments related to the ESB program; of this amount \$nil is included in accounts payable and accrued liabilities (2024 - \$790,194) at year-end.

Subsequent to year-end, post-approved funding has increased by \$75,000 for the ESB program and pre-approved projects has increased by \$1,345,000. The increase is due to a small number of existing participants receiving an exception to expand the scope of their projects. No additional exceptions will be approved.

The SEMI program was launched in the fall of 2024 and will run to March 31, 2027. All participants in SEMI must first complete a Facility Readiness Assessment (FRA) to help identify and recommend further eligible SEMI activities. Once the FRA is completed, proponents will be provided with a SEMI roadmap that includes recommendations for additional eligible activities. ERA utilizes service provider Enerva Energy Solutions Inc. to manage the program and distribute incentives.

	2025	2024
Facility Readiness Assessment	\$ 942,612	\$ -
Strategic Energy Management Training	3,266,508	-
Total Commitments - end of year	\$ 4,209,120	\$ -

Of the total commitment amounts the portion that exists as prepaid project funding is \$679,390 for FRA and \$2,273,810 for SEM.

Subsequent to year-end, FRA commitments have increased by \$217,050 and SEM commitments decreased by \$534,889, while commitments for Capital Retrofits have increased to \$5,289,411 as applicants continue to progress through the program.

EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (continued)

For the year ended May 31, 2025, with comparative information for 2024

10. Commitments and guarantees (continued):

Total project expenses of \$71,717,285 include \$2,247,452 (2024 - \$nil) of payments related to the SEMI program; of this amount \$3,126 is included in accounts payable and accrued liabilities (2024 - \$nil) at year-end. Payment for incentives of \$2,953,199 are included in prepaids that have been paid to Enerva where the activity by the participant is still underway. Incentives will be recognized as expenses as the participants proceed through the program.

ERA indemnifies its directors against claims reasonably incurred and resulting from the performance of their services to ERA. No amounts are reflected in the financial statements related to these indemnifications.

11. Economic dependence

Ninety-six percent of ERA's grant revenue in the current year is received from the Government of Alberta via the executed Grant Agreement. The loss of this funding would have a material adverse impact on ERA's future operations, project commitments and financial position. ERA is expected to receive \$40 million in funding from fiscal year 2025 to 2027 from NRCan for the SEMI program based on the contribution agreement signed in June 2024; \$4.35 million was recognized in the current fiscal year.

12. Subsequent Event

On June 5, 2025, ERA's "Emissions Reduction Alberta Clean Fuel Regulations Compliance Fund" (CFR Fund) was approved as a registered Emission Reduction Funding Program under Clean Fuel Regulations (CFR) with Environment and Climate Change Canada. ERA is currently the only approved CFR fund administrator in Alberta. The compliance year for obligated parties under the CFR aligns with the calendar year. As of August 21, 2025, ERA has received \$188.22 million from primary suppliers for the 2024 compliance year. All contributions are held in segregated, restricted accounts.

All contributions made to the program will be used to fund projects that support the deployment or commercialization of technologies or processes that will reduce CO₂e emissions by either December 31, 2030, in the case of a contribution made on or before December 31, 2025, or the fifth anniversary of the day on which the contribution is made for contributions in future compliance years.