

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, 2026



**KPMG LLP**

2200, 10175 – 101 Street  
Edmonton, AB T5J 0H3  
Canada  
Telephone 780-429-7300  
Fax 780-429-7379

## **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, 2026
- the statement of changes 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, 2026, 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 2025-2026 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 2025-2026 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 and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Edmonton, Canada

September 15, 2026

# EMISSIONS REDUCTION ALBERTA

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# EMISSIONS REDUCTION ALBERTA

## Statement of Financial Position

As at May 31, 2026, with comparative information for 2025

|                                                           | 2026           | 2025           |
|-----------------------------------------------------------|----------------|----------------|
| <b>Assets</b>                                             |                |                |
| <b>Current assets:</b>                                    |                |                |
| Cash                                                      | \$ 301,863,373 | \$ 309,545,946 |
| Accounts receivable (note 3(d))                           | 243,303        | 37,756         |
| Grants receivable (note 4)                                | 9,347,981      | 53,868,037     |
| Interest receivable                                       | 11,696,562     | 1,689,855      |
| Prepaid expenses                                          | 205,158        | 291,508        |
| Prepaid project expenses (note 5)                         | 2,828,332      | 4,599,588      |
| Short-term investments (note 6)                           | 210,000,000    | 40,000,000     |
| Recovered equipment held for sale (note 7)                | 534,600        | -              |
|                                                           | 536,719,309    | 410,032,690    |
| <b>Non-current assets</b>                                 |                |                |
| Long-term investments (note 6)                            | 80,000,000     | 190,000,000    |
| Grants receivable (note 4)                                | 2,190,341      | 429,782        |
| Interest receivable                                       | 1,720,699      | 3,538,748      |
| Property and equipment (note 8)                           | 320,112        | 187,500        |
|                                                           | \$ 620,950,461 | \$ 604,188,720 |
| <b>Liabilities</b>                                        |                |                |
| <b>Current liabilities:</b>                               |                |                |
| Accounts payable and accrued liabilities (notes 9 and 12) | \$ 9,587,882   | \$ 9,211,296   |
| Deferred lease incentives (note 9)                        | 7,578          | 2,882          |
|                                                           | 9,595,460      | 9,214,178      |
| <b>Non-current liabilities</b>                            |                |                |
| Deferred lease incentives (note 9)                        | 245,493        | 226,808        |
| Long-term interest payable (note 11)                      | 157,048        | -              |
|                                                           | \$ 9,998,001   | \$ 9,440,986   |
| <b>Net assets</b>                                         |                |                |
| General fund - unrestricted                               | \$ 266,140     | \$ 258,341     |
| Restricted fund (note 12)                                 | 610,686,320    | 594,489,393    |
|                                                           | \$ 610,952,460 | \$ 594,747,734 |
| <b>Commitments and guarantees (notes 10 and 13)</b>       |                |                |
|                                                           | \$ 620,950,461 | \$ 604,188,720 |

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, 2026, with comparative information for 2025

|                                                 | General<br>Fund | Restricted<br>Fund | Total 2026     | Total 2025     |
|-------------------------------------------------|-----------------|--------------------|----------------|----------------|
| Balance - beginning of year                     | \$ 258,341      | \$ 594,489,393     | \$ 594,747,734 | \$ 540,654,168 |
| Excess of revenue over expenses for<br>the year | 7,799           | 16,196,927         | 16,204,726     | 54,093,566     |
| Balance - end of year                           | \$ 266,140      | \$ 610,686,320     | \$ 610,952,460 | \$ 594,747,734 |

See accompanying notes to financial statements.

# EMISSIONS REDUCTION ALBERTA

## Statement of Operations

For the year ended May 31, 2026, with comparative information for 2025

|                                                                                    | General<br>Fund | Restricted<br>Fund   | CFR-General<br>Fund | CFR-<br>Restricted<br>Fund | Total<br>2026        | Total<br>2025        |
|------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|----------------------------|----------------------|----------------------|
| <b>Revenue</b>                                                                     |                 |                      |                     |                            |                      |                      |
| Grant revenue (note 4)                                                             | \$ -            | \$ 99,650,610        | \$ -                | \$ -                       | \$ 99,650,610        | \$ 111,004,628       |
| Contribution revenue<br>(note 3)                                                   | -               | -                    | -                   | 188,215,403                | 188,215,403          | -                    |
| Interest income                                                                    | -               | 20,714,822           | 4,684,798           | -                          | 25,399,620           | 25,577,713           |
| Other income (note 7)                                                              | -               | 539,115              | -                   | -                          | 539,115              | 580,958              |
| Management fees<br>(note 3(d))                                                     | 7,799           | -                    | -                   | -                          | 7,799                | -                    |
| <b>Total revenue</b>                                                               | <b>7,799</b>    | <b>120,904,547</b>   | <b>4,684,798</b>    | <b>188,215,403</b>         | <b>313,812,547</b>   | <b>137,163,299</b>   |
| <br>Project expenses<br>(note 12)                                                  | -               | 92,146,650           | -                   | -                          | 92,146,650           | 71,717,285           |
| <b>Excess of revenue<br/>over project expenses</b>                                 | <b>7,799</b>    | <b>28,757,897</b>    | <b>4,684,798</b>    | <b>188,215,403</b>         | <b>221,665,897</b>   | <b>65,446,014</b>    |
| <br><b>Operating expenses</b>                                                      |                 |                      |                     |                            |                      |                      |
| Program management<br>(note 9)                                                     | -               | 11,133,427           | 583,990             | -                          | 11,717,417           | 9,156,994            |
| Consulting contracted<br>services                                                  | -               | 336,227              | -                   | -                          | 336,227              | 657,873              |
| Corporate costs                                                                    | -               | 929,824              | 106,866             | -                          | 1,036,690            | 1,331,284            |
| Amortization (note 8)                                                              | -               | 59,078               | 7,270               | -                          | 66,348               | 60,204               |
| Conference expenses                                                                | -               | -                    | -                   | -                          | -                    | 645                  |
| Board remuneration<br>and expenses (note 9)                                        | -               | 102,414              | 31,993              | -                          | 134,407              | 145,448              |
| <b>Total operating<br/>expenses</b>                                                | <b>-</b>        | <b>12,560,970</b>    | <b>730,119</b>      | <b>-</b>                   | <b>13,291,089</b>    | <b>11,352,448</b>    |
| <b>Excess of revenue<br/>over expenses for the<br/>year, before<br/>undernoted</b> | <b>7,799</b>    | <b>16,196,927</b>    | <b>3,954,679</b>    | <b>188,215,403</b>         | <b>208,374,808</b>   | <b>54,093,566</b>    |
| <br>Contribution to FIFC -<br>transfer of CFR Fund<br>(note 3)                     | -               | -                    | 3,954,679           | 188,215,403                | 192,170,082          | -                    |
| <b>Excess of revenue<br/>over expenses for the<br/>year</b>                        | <b>\$ 7,799</b> | <b>\$ 16,196,927</b> | <b>\$ -</b>         | <b>\$ -</b>                | <b>\$ 16,204,726</b> | <b>\$ 54,093,566</b> |

See accompanying notes to financial statements.

# EMISSIONS REDUCTION ALBERTA

## Statement of Cash Flows

For the year ended May 31, 2026, with comparative information for 2025

|                                               | 2026           | 2025           |
|-----------------------------------------------|----------------|----------------|
| Cash Provided by (used in)                    |                |                |
| Operations:                                   |                |                |
| Excess of revenue over expenses               | \$ 16,204,726  | \$ 54,093,566  |
| Items not involving cash:                     |                |                |
| Amortization of property and equipment        | 66,348         | 60,204         |
| Loss on disposal of property and equipment    | 4,298          | 754            |
| Gain on disposal of property and equipment    | -              | (341)          |
| Recovered equipment held for sale             | (534,600)      | -              |
| Change in non-cash operating working capital: |                |                |
| Deferred revenue                              | -              | (18,500)       |
| Interest payable                              | 157,048        | -              |
| Accounts receivable                           | (205,547)      | 66,921         |
| Grant receivable                              | 42,759,497     | (4,297,819)    |
| Interest receivable                           | (8,188,658)    | 3,954,781      |
| Prepaid expenses                              | 86,350         | (85,512)       |
| Prepaid project expenses                      | 1,771,256      | (4,599,588)    |
| Accounts payable and accrued liabilities      | 376,586        | 2,652,764      |
| Deferred lease liabilities                    | 23,381         | 229,690        |
|                                               | 52,520,685     | 52,056,920     |
| Investing activities:                         |                |                |
| Proceeds from sale of property and equipment  | 371            | 571            |
| Purchases of property and equipment           | (203,629)      | (157,889)      |
| Proceeds on sale of investments               | 40,000,000     | 330,000,000    |
| Purchase of investments                       | (100,000,000)  | (230,000,000)  |
|                                               | (60,203,258)   | 99,842,682     |
| (Decrease) increase in cash during the year   | (7,682,573)    | 151,899,602    |
| Cash, beginning of year                       | 309,545,946    | 157,646,344    |
| Cash, end of year                             | \$ 301,863,373 | \$ 309,545,946 |

See accompanying notes to financial statements.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 1. Authority

Climate Change and Emissions Management (CCEMC) Corporation ("CCEMC"), operating as Emissions Reduction Alberta ("ERA"), 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. ERA commenced operations on June 1, 2009 and registered the trade name of Emissions Reduction Alberta as its operating name on October 21, 2016. ERA's mandate is to reduce emissions while supporting the competitiveness and growth of Alberta's economy by accelerating the development and adoption of innovative technology solutions.

ERA's primary source of funding is the Government of Alberta through grant agreements funded from the Technology Innovation and Emissions Reductions Fund ("TIER Fund"), established under the Emissions Management and Climate Resilience Act, SA 2003, c. E-7.8 (the "Act"). ERA also receives funding from the Government of Canada, including funding from Natural Resources Canada and Environment and Climate Change Canada, pursuant to separate funding agreements. The Government of Alberta and ERA entered into a Grant Agreement effective March 8, 2017, together with an Amending Agreement dated March 3, 2026 in effect to March 31, 2029 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 March 11, 2026 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).

### 2. Significant accounting policies

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

#### (a) Fund accounting:

ERA follows the restricted funds method of accounting for contributions. For financial reporting purposes, ERA maintains 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 the development and adoption of innovative technology solutions. The General Fund includes all unrestricted monies received that are available for use at ERA's discretion.

##### Restricted Fund

The Restricted Fund accounts for externally restricted contributions received to support the development and adoption of innovative technology solutions. Expenditures incurred for these purposes are charged to the Restricted Fund in accordance with the terms of the applicable funding agreement.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 2. Significant accounting policies (continued)

#### (a) Fund accounting (continued):

##### Clean Fuel Regulations General and Restricted Funds (continued)

ERA administers the Emission Reduction Funding Program ("ERFP") established under the Clean Fuel Regulations ("CFR") using two separate funds: the Clean Fuel Regulations - Restricted Fund ("CFR - Restricted Fund") and the Clean Fuel Regulations - General Fund ("CFR - General Fund"). These funds distinguish between externally restricted contribution activities and unrestricted investment and administrative activities of the ERFP.

The CFR - Restricted Fund accounts for externally restricted contributions received from primary suppliers under the CFR. Contributions are recognized as revenue when received or receivable.

The CFR - General Fund accounts for investment income earned and the costs of administering the ERFP. No restrictions are placed on the interest income earned and administration costs must not be covered by contributions received from primary suppliers.

Both funds were transferred to ERA's subsidiary, the Fuel Innovation Fund as of April 1, 2026.

#### (b) Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable, provided 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, provided the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are used only for the purposes specified by the related funding agreements or external parties.

Investment income earned on externally restricted contributions is recognized as revenue of the Restricted Fund in the year it is earned.

Revenue from contracts that are fulfilled over time is recognized using the percentage of completion method. The degree of completion is determined by 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

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. ERA currently does not hold any equity instruments that would be measured after initial recognition at fair value.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 2. Significant accounting policies (continued)

(d) Cash

Cash consists of cash on deposit. Amounts held are used to fund operating activities and project funding commitments related to executed agreements, approved projects and initiated funding calls as disclosed in note 13.

(e) Short-term investments

Short-term investments consist of guaranteed investment certificates ("GICs") with original or remaining maturities of 12 months or less. GICs are measured at cost and interest income is recognized as earned.

(f) Long-term investments

Long-term investments consist of GICs with maturities greater than 12 months. GICs are measured at cost and interest income is recognized as earned.

(g) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

|                                 |                          |
|---------------------------------|--------------------------|
| Computer equipment and software | 3 years                  |
| Furniture and fixtures          | 5 to 8 years             |
| Leasehold Improvements          | Term of lease or 8 years |

(h) Property and equipment held for sale

Property and equipment held for sale are recorded at the lower of its carrying amount and fair value, less costs to sell.

(i) Leases

Leases are accounted for as either operating or capital. Capital leases are those that substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under capital lease are amortized over the lease term or, if the lease contains terms that allow ownership to pass to ERA or a bargain purchase option, assets are amortized over the estimated useful lives consistent with other equipment rates determined. Obligations under capital lease are initially measured at the lower of the present value of future minimum lease payments and the leased assets' fair value. Leases not meeting the capital lease criteria are treated as operating leases with lease payments recorded as an expense on a straight-line basis over the lease term.

(j) Project expenses and liabilities

Project expenses and the related liability, included in accounts payable and accrued liabilities, are recognized upon receipt and approval by ERA of a valid project progress report and associated milestone invoice. Project funding commitments are disclosed when a contribution agreement has been executed or funding approvals are obtained by the Board of Directors. Refer to Note 13 for commitment disclosures.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 2. Significant accounting policies (continued)

(k) Use of estimates and judgements

The preparation of financial statements in accordance with ASNPO requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for year. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates made in preparing these financial statements include useful life of property and equipment and the corresponding amortization rates and methods and the fair value of equipment held for sale. Actual results could differ from these estimates.

### 3. Clean Fuel Regulations Compliance Fund and Controlled Entity

(a) Emissions Reduction Alberta Clean Fuel Regulations Compliance Fund ("CFR Fund")

On June 5, 2025, ERA was approved by Environment and Climate Change Canada ("ECCC") as a registered Emission Reduction Funding Program ("ERFP") under the Clean Fuel Regulations ("CFR"). Under the CFR, primary suppliers of liquid fossil fuels may satisfy a portion of their compliance obligation by making contributions to a registered ERFP in exchange for compliance credits. During June and July 2025, ERA received \$188.2 million in contributions from primary suppliers.

Prior to the transfer of program administration to Fuel Innovation Fund Corporation ("FIFC"), no project funding had been approved or disbursed. During the period ERA administered the ERFP, \$4.7 million of investment income was earned on the contribution balances and \$0.7 million of administrative expenses were incurred. The accounting policies applicable to the CFR Fund are described in Note 2(a).

(b) Transfer of Program Administration

On January 9, 2026, ERA incorporated FIFC to administer the ERFP. Effective April 1, 2026, all ERFP activities have been transferred from ERA to FIFC. The registered program was renamed the Fuel Innovation Fund ("FIF"), and FIFC assumed responsibility for administering the program, including receiving future contributions from primary suppliers and funding eligible emission reduction projects and the associated administration costs. ERA transferred \$192.2 million, representing the remaining CFR resources comprising \$188.2 million in cash of externally restricted contributions and \$3.9 million in cash of accumulated net assets representing interest earned less administration costs incurred to date. The transfer was presented as a contribution to FIFC in ERA's Statement of Operations.

(c) Controlled Entity - Fuel Innovation Fund Corporation

FIFC is a federally incorporated not-for-profit corporation under the Canada Not-for-profit Corporations Act. FIFC was established to administer the FIF under the CFR and provides funding to organizations undertaking eligible clean fuel and greenhouse gas emission reduction projects across Canada. FIFC is exempt from income tax under paragraph 149(1)(l) of the Income Tax Act (Canada).

FIFC is a controlled entity of ERA and has elected to prepare non-consolidated financial statements in accordance with ASNPO Section 4450 - Reporting Controlled and Related Entities.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 3. Clean Fuel Regulations Compliance Fund and Controlled Entity (continued)

#### (c) Controlled Entity - Fuel Innovation Fund Corporation (continued)

FIFC's fiscal year end is December 31. The following summarized interim financial information relates to the two-month period from April 1 to May 31, 2026. During this period, FIFC did not receive additional contributions from primary suppliers, and no project funding was approved or disbursed.

Summarized interim financial information of FIFC – for two-month period ended May 31, 2026:

|                                           | 2026          |
|-------------------------------------------|---------------|
| Total assets                              | \$193,083,579 |
| Total liabilities                         | 340,027       |
| Net assets                                | 192,743,552   |
| Revenue                                   | 193,143,324   |
| Operating expenses                        | (399,772)     |
| Excess of revenue over expenses           | 192,743,552   |
| Net cash provided by operating activities | 192,743,552   |
| Net cash provided by investing activities | (1,902)       |
| Net cash used in financing activities     | -             |

Substantially all FIFC's resources arise from contributions received under the CFR. The contribution balances are externally restricted and must be used to fund eligible emission reduction projects in accordance with the CFR. FIFC's accounting policies are substantially consistent with those of ERA.

Related party transactions between ERA and FIFC are disclosed in Note 3(d).

#### (d) Related Party Transactions

Effective April 1, 2026, ERA entered into a Management Services Agreement with FIFC under which ERA provides management and administrative services and recovers eligible costs incurred on behalf of FIFC. For the year ended May 31, 2026, ERA recognized management fee revenue of \$7,799. During the year, FIFC reimbursed ERA \$178,788 for eligible direct costs and allocated shared operating costs incurred on its behalf. As of May 31, 2026, amounts receivable from FIFC totaled \$187,013.

These related party transactions were measured at the exchange amount, as established and agreed to by the related parties.

#### (e) FIFC subsequent event

Subsequent to May 31, 2026, FIFC received \$508.7 million in contributions from primary suppliers under the Clean Fuel Regulations in respect of the 2025 compliance year. As of Sept 15, 2026, FIFC approved approximately \$369.7 million in funding commitments for eligible emission reduction projects and contribution agreement negotiations are underway.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 4. Grant revenue

Under the terms of the Government of Alberta Grant Agreement, interest income earned in a fiscal year is reported to the Government of Alberta and may reduce grant funding.

During the year, the Government of Alberta confirmed funding of \$50 million for fiscal year 2025-26. The funding was reduced by \$25.6 million for interest income earned in the prior year, resulting in grant funding of \$24.4 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. In addition, the Government of Alberta confirmed funding of \$20.6 million to invest in advancing drilling technologies aligned with Alberta Drilling Accelerator's core principals. All funding confirmed during the year had been received by May 31, 2026. Last fiscal year, the Government of Alberta confirmed additional funding of \$14 million for the Advanced Materials initiative, \$22.4 million for the Methane Incentive Program, and \$50 million for the Tailings Challenge. The Tailings Challenge funding was recorded as a grant receivable as at May 31, 2025, and received June 19, 2025. All other funding was received during the fiscal year.

During the year, ERA entered the Recapitalized Low Carbon Economy Leadership Fund ("Recapitalized LCELf") Delivery Entity Grant Agreement with the Government of Alberta. The funding is provided by the Government of Canada under the Canada-Alberta Recapitalized Low Carbon Economy Leadership Fund Funding Agreement (the "Federal Agreement"), under which Canada provides funding to Alberta to support initiatives that materially reduce greenhouse gas emissions. ERA's Delivery Entity Grant Agreement was entered into to support the objectives of, and is aligned with, the Federal Agreement and provides total funding of up to \$39.4 million. Funding will be disbursed through March 31, 2029, including an initial payment of \$37.0 million and three subsequent annual payments of \$0.8 million.

The initial contribution of \$37.0 million received during the year has been recognized as revenue of the Restricted Fund upon receipt in accordance with ERA's accounting policies for externally restricted contributions. Unspent or ineligible amounts may be repayable to the Government of Alberta.

On June 24, 2024, ERA signed an agreement with Natural Resources Canada ("NRCan"), as amended on January 8, 2026, providing up to \$50 million under the Greening Industrial Facilities and Manufacturing Program ("GIFMP"). This program is supplemented by \$20 million of Government of Alberta funds provided in prior periods. The Strategic Energy Management for Industry (SEMI) program was launched with this funding in the fall of 2024 and will run to March 31, 2027. ERA recognized \$17.2 million of GIFMP grant revenue during the year using the percentage of completion method.

At May 31, 2026, grant receivables related to GIFMP totaled \$11.5 million, consisting of \$9.3 million classified as current and \$2.2 million classified as long term.

|                               | Revenue Recognized | Grant Receivable | Grant Receivable (LT) |
|-------------------------------|--------------------|------------------|-----------------------|
| Government of Alberta         | \$ 45,042,287      | \$ -             | \$ -                  |
| Government of Alberta - LCELf | 37,002,727         |                  |                       |
| Natural Resource Canada       | 17,605,596         | 9,347,981        | 2,190,341             |
|                               | \$ 99,650,610      | \$ 9,347,981     | \$ 2,190,341          |

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 5. Prepaid project expenses

Prepaid project expenses represent advance payments made under approved funding agreements to support the early initiation of project activities. As at May 31, 2026, the related project milestones had not been completed and therefore represent expenditures for services or deliverables to be received in future periods. These amounts are classified as current assets as the related project milestones are expected to be achieved within the next fiscal year. Prepaid project expenses by program are summarized below:

|                                                      | 2026         | 2025         |
|------------------------------------------------------|--------------|--------------|
| Strategic Energy Management Incentive (SEMI) Program | \$ 2,206,287 | \$ 2,953,200 |
| Call 13 - Emerging Innovators                        | 127,045      | 1,196,388    |
| Call 16 - Industrial Transformation (2025)           | 495,000      | -            |
| Lab Services Incentive Program (LSIP)                | -            | 450,000      |
| Total                                                | \$ 2,828,332 | \$ 4,599,588 |

### 6. 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, investments, interest receivable, accounts receivable and grants receivable. The maximum exposure to credit risk is limited by the carrying value of the balances disclosed in these financial statements.

Management monitors these balances 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. As at May 31, 2026 management has no recorded (2025 - \$nil) allowance for doubtful accounts.

#### Market risk

Market risk is the risk that changes in market prices, including interest rates, will affect ERA's interest income or the value of its financial instruments. 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 and long-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.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 6. Financial instruments (continued)

Currently ERA holds the following GICs:

| Guaranteed Institution | Maturity date     | Principal      | Interest rate |
|------------------------|-------------------|----------------|---------------|
| 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%         |
| ATB                    | March 29, 2027    | 20,000,000     | 3.53%         |
| Short-term investments |                   | \$ 210,000,000 |               |
| ATB                    | June 18, 2027     | \$ 20,000,000  | 3.71%         |
| ATB                    | September 2, 2027 | 20,000,000     | 3.83%         |
| ATB                    | December 19, 2027 | 10,000,000     | 3.57%         |
| ATB                    | December 24, 2027 | 10,000,000     | 3.57%         |
| ATB                    | March 26, 2028    | 20,000,000     | 3.72%         |
| Long-term investments  |                   | \$ 80,000,000  |               |

#### Liquidity risk

Liquidity risk is the risk ERA will be unable to meet its financial obligations as they become due. ERA manages 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.

### 7. Recovered equipment held for sale

During the year, ERA obtained ownership of equipment through the enforcement of security rights associated with a funded project recipient. The equipment is intended for sale and has been classified as such.

As at and for the year ended May 31, 2026, the equipment was recorded in other income at \$0.5 million based on management's estimate of fair value less costs to sell. Due to the specialized nature of the equipment and the absence of observable market values, actual proceeds realized upon sale may differ from the carrying value recognized.

### 8. Property and equipment

|                                 | 2026<br>Cost | Accumulated<br>amortization | Net book<br>value | 2025<br>Net book value |
|---------------------------------|--------------|-----------------------------|-------------------|------------------------|
| Computer equipment and software | \$ 160,604   | \$ (97,209)                 | \$ 63,395         | \$ 39,320              |
| Furniture and fixtures          | 261,057      | (78,234)                    | 182,823           | 108,738                |
| Leasehold Improvements          | 83,287       | (9,393)                     | 73,894            | 39,442                 |
|                                 | \$ 504,948   | \$ (184,836)                | \$ 320,112        | \$ 187,500             |

Amortization of \$66,348 (2025 - \$60,204) was recognized in the statement of operations.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 9. Board and management remuneration

Total board director honoraria and expenses amounted to \$102,414 (2025 - \$145,448) in the fiscal year, of which \$57,017 (2025 - \$73,585) related to travel, meals and accommodation reimbursements.

Honoraria paid to directors totaled \$43,672 (2024 - \$68,808) as follows:

|                  | 2026             | 2025             |
|------------------|------------------|------------------|
| S. Applebaum (A) | \$ -             | \$ 1,312         |
| C. Bak (B)       | -                | 8,729            |
| K. Birn          | 2,934            | 4,484            |
| M. Blackwell     | 2,448            | 6,560            |
| K. Chisholm      | 3,541            | 6,135            |
| S. Clarke (C)    | -                | -                |
| S. Cullum        | 4,663            | 3,081            |
| M. Gattinger (D) | 3,651            | 123              |
| C. Mather (E)    | 4,894            | 11,699           |
| C. Martineau (F) | -                | 984              |
| D. Moss          | 4,855            | 6,079            |
| K. Ogle          | 12,507           | 15,688           |
| D. Swampy        | 4,179            | 3,934            |
| S. Wilson (G)    | -                | -                |
|                  | <b>\$ 43,672</b> | <b>\$ 68,808</b> |

- A) Appointed June 2025. Honoraria waived July 2025
- B) Board term concluded March 2025
- C) Appointed July 2025. Honoraria waived
- D) Appointed June 2025
- E) Board term concluded December 2024
- F) Committee term concluded December 2024
- G) Board term concluded June 2025. Honoraria waived

Included in accounts payable and accrued liabilities is \$1,916 (2025 - \$2,011) related to board honoraria and expenses.

Program management expenses include remuneration to companies owned by senior management who report directly to the board, totaling fees of \$306,375 (2025 - \$321,613); of this amount, \$18,859 (2025 - \$14,517) is included in accounts payable and accrued liabilities.

### 10. Lease commitments

ERA leases office premises classified as operating leases in Edmonton expiring April 30, 2033 and office premises in Calgary expiring March 31, 2034.

Lease expense is recognized on a straight-line basis over the lease terms, including periods of free rent and other incentives, \$211,671 (2025 - \$320,151) is included in included in corporate costs. The related benefit is recorded as a deferred lease liability and amortized over the lease terms. As at May 31, 2026, ERA has recorded a deferred lease liability of \$253,071 (2025 - \$229,690).

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 10. Lease commitments (continued)

Future minimum lease payments under each lease over the next five years are as follows:

| <b>FY</b>    | <b>Amount</b>       |                     |                     |
|--------------|---------------------|---------------------|---------------------|
|              | Edmonton office     | Calgary office      | Total               |
| 2027         | \$ 179,374          | \$ 142,037          | \$ 321,411          |
| 2028         | \$ 185,910          | \$ 143,330          | \$ 329,240          |
| 2029         | \$ 195,755          | \$ 148,428          | \$ 344,183          |
| 2030         | \$ 198,154          | \$ 149,721          | \$ 347,875          |
| 2031         | \$ 204,690          | \$ 634,492          | \$ 839,182          |
| Thereafter   | \$ 397,852          | \$ 734,856          | \$ 1,132,708        |
| <b>Total</b> | <b>\$ 1,361,735</b> | <b>\$ 1,952,864</b> | <b>\$ 3,314,599</b> |

### 11. Long-term Interest Payable

ERA received an initial payment of \$37,002,727 on April 7, 2026. As of May 31, 2026, \$493,042 had been disbursed for eligible expenditures. Interest earned on unexpended funds under the Recapitalized LCELF forms part of the funding arrangement and may be repaid to the Government of Alberta or applied to reduce future funds. As of May 31, 2026, interest earned on unexpended funds totaling \$157,048 has been recognized as a long-term liability.

### 12. Restricted Fund

The Restricted Fund consists of funds that are externally restricted by the respective funders (note 4). Funds received through the TIER fund are restricted for purposes related to reducing emissions of specified gases or supporting Alberta 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 or other costs incurred.

### 13. Commitments and guarantees

Funding commitments arise from Board-approved projects and executed contribution agreements. Commitments for executed contribution agreements represent the remaining funding after deducting project expenses incurred to date and the value of cancelled or terminated agreements. Board-approved projects for which contribution agreements have not yet been executed are disclosed separately. Projects that are Board-approved but do not proceed to executed contribution agreements, are considered never initiated projects and are removed from Board-approved commitments.

Project statuses are defined as follows: Never initiated - Board-approved projects for which a contribution agreement was not executed; Cancelled - Projects with an executed Contribution Agreement where no project funding has been disbursed; Terminated - Projects with an executed contribution agreement where funding has been disbursed for at least one completed milestone; On Hold - Active projects with an executed contribution agreement that have been temporarily paused due to internal or external factors without formal termination.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 13. Commitments and guarantees (continued)

Additional information on project activity during the year, including number of projects in each status category, is provided in ERA's Annual Report.

A summary of these amounts is outlined as follows:

|                                                                        | 2026           | 2025           |
|------------------------------------------------------------------------|----------------|----------------|
| Total Committed funds for executed projects - beginning of year        | \$ 352,624,652 | \$ 339,925,969 |
| Total funds for executed projects approved or adjusted during the year | 202,789,141    | 158,325,951    |
| Project expenses incurred during the year                              | (75,037,590)   | (62,890,256)   |
| Contribution agreements cancelled or terminated during the year        | (35,816,439)   | (82,737,012)   |
| Total committed funds for executed projects - end of year              | 444,559,764    | 352,624,652    |
| Total funds for projects approved but not yet executed                 | 76,887,407     | 22,369,150     |
| Total Commitments                                                      | \$ 521,447,171 | \$ 374,993,802 |

Funding disbursed under executed contribution agreements are subject to ERA's review and approval to ensure full compliance with the terms of the applicable contribution agreement. Accordingly, the actual amount disbursed may differ materially from the total commitments presented of \$521,447,171 but will not exceed that amount. Project expenses includes \$199,288 in accrued liabilities (2025 - \$nil) and \$4,067,381 in accounts payable (2025 - \$6,864,800).

Projects totaling \$76,887,407 (2025 - \$22,369,150) have been approved for funding by ERA's Board of Directors but contribution agreements have not yet been executed as of May 31, 2026. The ultimate commitment related to these projects is dependent on successful execution of contribution agreements and may differ materially from the approved funding amount.

Subsequent to year-end on June 16, 2026, ERA approved additional projects totaling \$51,838,077 (2025 - \$58,218,310). Approved projects, totaling \$42,823,038, now have an executed contribution agreement. Projects have been cancelled or terminated reducing committed funds on executed projects by \$27,529,167, and funding committed to approved projects but not yet executed has been reduced by \$3,068,135.

In addition to the commitments noted above, ERA has approved incentive funding under its Energy Incentive Programs: Strategic Energy Management for Industry ("SEMI") and the Methane Reduction Deployment Program ("MRDP").

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### 13. Commitments and guarantees (continued)

The SEMI program was launched in October 2024 and will run until March 2027. ERA utilizes a third-party servicer provider, Enerva Energy Solutions Inc., to support the administration of the program and distribute incentives. As at May 31, 2026 total approved commitments are as follows:

|                                              | 2026          | 2025         |
|----------------------------------------------|---------------|--------------|
| Facility Readiness Assessment ("FRA")        | \$ 1,226,352  | \$ 942,612   |
| Strategic Energy Management Training ("SEM") | 618,783       | 3,266,508    |
| Energy Management System ("EMIS")            | 4,071,076     | -            |
| Energy Assessments and Audits ("EAA")        | 1,062,701     | -            |
| Capital Retrofits ("CR")                     | 40,790,308    | -            |
| Total Commitments - End of year              | \$ 47,769,221 | \$ 4,209,120 |

Project expenses recognized during the year totaled \$14,777,589 (2025 - \$2,247,452), including \$3,616,464 (2025 - \$3,126) in accounts payable and accrued liabilities. Prepaid incentives totaling \$2,206,287 represent payments made to the service provider where participant activities remained in progress at May 31, 2026. These amounts will be recognized as project expenses as the related participant activities are completed.

Subsequent to year-end, total approved SEMI commitments have decreased by \$939,933. As at September 15, 2026, total SEMI commitments were \$46,829,287

The MRDP was launched in November 2025. ERA utilizes a service provider, Modern West Advisory Inc., to support the administration of the program and distribute incentives. Incentives are paid in two phases: Procurement, when eligible equipment has been received and is ready for installation, and Completion, when the project is commissioned.

As at May 31, 2026 approved total commitments are as follows:

|                                 | 2026         | 2025 |
|---------------------------------|--------------|------|
| Procurement                     | \$ 2,718,638 | \$ - |
| Completion                      | 2,718,637    | -    |
| Total Commitments – End of year | \$ 5,437,275 | \$ - |

No incentives for the Methane Program have been disbursed as at May 31, 2026.

Subsequent to year-end total MRDP incentives have increased by \$4,319,630 and \$261,641 of incentives have been disbursed.

The Energy Savings for Business ("ESB") program was launched in November 2020. As at May 31, 2026, all approved incentive amounts have been paid following successful completion of the projects. No commitments remained under the program as at May 31, 2026.

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.

# EMISSIONS REDUCTION ALBERTA

## Notes to Financial Statements

As at May 31, 2026, with comparative information for 2025

### **14. Economic dependence**

ERA receives significant funding from the Government of Alberta under the Grant Agreement described in Notes 1, 3 and 4. This funding supports ERA's core operations and a significant portion of its project funding activities. The loss of this funding would have a material adverse effect on ERA's future operations.

ERA also receives funding from the Government of Canada under contribution agreements to support specific programs. These agreements are program-specific and time-limited as described in Note 13, Commitments and Guarantees.

### **15. Subsequent events**

Refer to disclosure in notes 3(d) and 13 for details of material subsequent events.