

Canada Enterprise Emergency Funding Corporation

A wholly-owned subsidiary of Canada
Development Investment Corporation,
a federal Crown corporation.

Annual Report **2025** ↗

CEEFC



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Directors and Officers

1.0 Directors and Officers

Board of Directors



Sandra Rosch

CHAIR OF CEEFC BOARD

Toronto, Ontario



Nathalie Bernier

DIRECTOR

Montreal, Québec



Barry Pollock

DIRECTOR

Toronto, Ontario



Jim McArdle

DIRECTOR

Ottawa, Ontario



Jennifer Reynolds

DIRECTOR

Toronto, Ontario



Bruno Lemay*

PRESIDENT AND CHIEF EXECUTIVE OFFICER, CEEFC

Montreal, Québec

Officers



Lorraine Audsley

President and Chief Executive Officer,
appointed on February 24, 2026



Tess Lofsky

General Counsel



Bruno Lemay*

President and Chief Executive Officer,
retired on January 3, 2026



Mike Woodward

Chief Financial Officer



Ashley Payette

Secretary

***Note:** Concluded his mandate on January 3, 2026. A new President and CEO was appointed on February 24, 2026.

Message from the President & Chief Executive Officer

2.0

Message from the President & Chief Executive Officer

I am pleased to share this Annual Report for 2025, and to do so as I begin my role as President and Chief Executive Officer of Canada Enterprise Emergency Funding Corporation (CEEFC).

I joined the Corporation in February 2026 and it is an honour to lead an organization that is playing a critical role in safeguarding Canada's economic resilience at a time of heightened global uncertainty and growing trade pressures. Created by Canada Development Investment Corporation in 2020 to launch and manage the Large Employer Emergency Financing Facility (LEEFF) in response to the economic impact of the COVID-19 pandemic, CEEFC has a proven record of delivering complex and consequential federal financial programs with discipline, integrity, and speed.

Today, that responsibility is even more critical. Launched in April 2025, the \$10-billion Large Enterprise Tariff Loan (LETL) Facility is a highly visible and high-stakes initiative designed to support large Canadian enterprises facing significant financing challenges arising from actual or potential tariff impacts. The scale, urgency, and strategic importance of this program place CEEFC squarely at the centre of the Government of Canada's response to evolving global trade dynamics.

In addition to managing the LEEFF loans, successfully delivering LETL requires not only strong governance and robust processes, but also experienced leadership with the credibility to engage confidently with Canada's largest enterprises, financial institutions, and public sector partners. As of the date of this report, LETL has issued \$575 million in loan commitments to two Canadian enterprises.

I would like to recognize the dedication and professionalism of CEEFC's staff and board members, with a special mention for my predecessor, Bruno Lemay, who led the organization at a time of transition as it was called upon to tackle new and unexpected national challenges.

I also want to thank the employees and the leadership team of our parent company, Canada Development Investment Corporation (CDEV), for their ongoing support. That support has been instrumental to the advancement of our mandate, including the launch of the new facility at the request of the Government.

It is a privilege to join CEEFC, and I look forward to working together with our key stakeholders to support meaningful economic outcomes for Canada.



Lorraine Audsley

PRESIDENT & CHIEF EXECUTIVE OFFICER

Canada Enterprise Emergency
Funding Corporation

Who we are

3.0 Who We Are

Canada Enterprise Emergency Funding Corporation (CEEFC) is a federal Crown corporation established by Canada Development Investment Corporation (CDEV) in 2020.

In March 2025, CEEFC was mandated to establish and administer the Large Enterprise Tariff Loan (LETL) facility to support large Canadian enterprises affected by actual and potential new tariffs and countermeasures and which face challenges accessing traditional sources of market financing.

CEEFC was, when originally established in 2020, tasked with launching and administering the Large Employer Emergency Financing Facility (LEEFF) in response to the economic impact of the COVID-19 pandemic. LEEFF made emergency loans available to Canada's large employers that were unable to access traditional sources of capital at the time to keep them solvent and to support retention of tens of thousands of Canadian workers. LEEFF stopped taking new applications in 2022, and CEEFC continues to manage the remaining loans issued under the facility.

CEEFC's loan programs protect Canadian jobs and the Canadian economy by helping Canadian businesses remain solvent in times of significant economic shock. Loans provided under these programs are intended for otherwise viable large organizations that are unable to quickly access traditional sources of capital to manage and bridge liquidity needs through a period of significant economic uncertainty.

Environmental, Social and Governance (ESG) practices are integral to CEEFC's role as overseer of the LEEFF and LETL Facilities. CEEFC's mandated objectives are grounded in public policy priorities, with a focus on supporting Canadian businesses and jobs. CEEFC is overseen by a highly qualified, diverse, and independent Board of Directors that adheres to strict standards of governance. We have strong gender diversity on the CEEFC Board with over 50% female representation. On the environmental front, CEEFC requires that borrowers publish an annual climate risk report using the TCFD framework. CEEFC's climate risks are incorporated into CDEV's TCFD report reporting.



2025 Milestones

4.0 2025 Milestones

2025 – Rapid Program Launch

March 18	March 21	April 15	Four weeks
Order in Council issued to establish the Large Enterprise Tariff Loan Facility	Public announcement of LETL	Applications open	From mandate to fully operational program

2025 – Major Financial Commitments Under LETL

\$515 million

in loan commitments delivered to two large Canadian enterprises



Part of the broader
\$10 billion LETL Facility

\$500 million

earmarked for softwood lumber firms facing acute liquidity pressures

2025 – Active Management of Legacy Portfolio (LEEFF)

Air Transat Restructuring

- Major debt restructuring transaction executed
- Strengthened balance sheet and improved long-term financial flexibility

Financial Outcomes Across the Portfolio

\$85 million

repaid in cash from two borrowers

August:

Partial monetization of preferred shares

\$30 million

working capital facility provided

\$16.3 million

in preferred shares issued

\$13.7 million

repaid toward debenture

\$49 million

Fees and interest received in Cash

• *Convertible into Class B Voting Shares*

2025 – Leadership Milestone



Appointment of Mike Woodward as dedicated Chief Financial Officer, strengthening financial oversight and execution capacity

Success Stories



Canada Enterprise Emergency Funding Corporation

Supporting strategic industries through LETL

Algoma Steel

Through the Large Enterprise Tariff Loan Facility, CEEFC provided \$400 million in financing to Algoma Steel Inc. The transaction helped a fully integrated Canadian steel producer stabilize operations amid tariff-related pressures while protecting taxpayer interests.

This financing enabled Algoma's early transition to electric arc furnace (EAF) steelmaking, a modernization initiative expected to enhance long-term competitiveness and significantly reduce emissions. By supporting the company to manage the financial impact of tariffs while advancing its operational transformation, the facility helps Algoma to remain competitive in a changing global market.

The investment aligns with the Government of Canada's broader efforts to strengthen domestic industrial capacity, protect Canadian steel jobs, and reinforce Canada's industrial base and supply chain resilience during a period of global uncertainty. Steel remains foundational to Canada's economy and national security, supporting sectors such as construction, energy, manufacturing, transportation, and defense.

CEEFC loan

\$400 million

~18%

Share of Canadian steel production



Mandate and Corporate Governance Practices

5.0 Mandate and Corporate Governance Practices



Canada Enterprise Emergency Funding Corporation (“CEEFC” or the “Corporation”) was incorporated on May 11, 2020 and is wholly-owned by Canada Development Investment Corporation (“CDEV”), a federal Crown corporation. CEEFC is a non-agent Crown corporation and is not subject to the provisions of the Income Tax Act.

In early 2020, the Canadian economy was facing substantial challenges due to the global drop in demand for goods and services caused by the coronavirus (“COVID-19”) pandemic. Companies’ abilities to access credit were also constrained due to uncertainties in the financial markets. Without continued access to credit, Canadian businesses faced retrenchment, which could slow prospects for longer-term economic growth. CEEFC was mandated to assist the Government of Canada (“Government of Canada” or the “Government”) as part of Canada’s COVID-19 Economic Response Plan through the implementation of the Large Employer Emergency Financing Facility (“LEEFF”) with Innovation Science and Economic Development Canada (“ISED”) and the Department of Finance.

LEEFF Loans

The LEEFF Program is managed in accordance with terms and conditions approved by the Minister of Finance (“the Minister”) and was intended to provide bridge financing to Canada’s largest employers, whose needs during the COVID-19 pandemic were not being met through conventional financing. The objective of LEEFF was to help protect Canadian jobs, help Canadian businesses weather the economic downturn, and avoid bankruptcies of otherwise viable companies, where possible. LEEFF was not intended to be used to resolve insolvencies or restructure firms, nor to provide financing to companies that otherwise had the capacity to manage through the crisis. Instead, the additional liquidity made available through LEEFF provided emergency funding support for large Canadian enterprises facing financial challenges due to the economic impact of the

COVID-19 pandemic, allowing these businesses and their suppliers to remain active during this difficult time and positioning them for a rapid economic recovery. The program was open to large Canadian employers who:

- a. had a significant impact on Canada’s economy, as demonstrated by having significant operations in Canada or supporting a significant workforce in Canada;
- b. could generally demonstrate approximately \$300 million or more in annual revenues; and
- c. required a minimum loan size of about \$60 million.

Companies that received financing through LEEFF were required to agree to sustain their domestic operations, make reasonable commercial efforts to minimize the loss of jobs and demonstrate a clear plan to return to financial stability. They also agreed to place restrictions on executive compensation, dividends, and share buybacks and publish annual climate-related disclosure reports indicating how their future operations will support environmental sustainability and Canada’s climate goals. Standard LEEFF loans were funded on an 80% unsecured basis, with the remaining 20% funded on a secured basis on terms identical to those of the borrowers’ existing secured lenders. Fees were charged based on the loan commitment and other loan fees are payable upon repayment. Interest rates escalate through the term of the five-year unsecured loan.

In April 2021, the LEEFF Program was expanded to provide financial assistance to Canadian Air Carriers. In addition to the unsecured and secured loan facilities, a LEEFF Air Carrier Voucher Facility was made available under the LEEFF Program to Canadian Air Carriers to provide refunds to travelers, for travel cancellations caused by the pandemic. Financial support could also have included an investment by the Corporation, in common voting shares of large airlines.

As of July 2022, as directed by the Minister of Finance, CEEFC no longer accepts or processes new LEEFF loan applications. Existing loans are commercially managed with a focus on maximizing recoveries, obtaining Minister of Finance approval for amendments when necessary.

Financial Support to the Canadian Airline Industry

Loans and Equity Investments

To qualify for financial support under the Large Airline LEEFF Program, airline companies must have met the following requirements:

- a. be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction,
- b. have a minimum of \$4 billion in 2019 annual revenue,
- c. not be involved in active insolvency proceedings, and
- d. have significant operations or workforce in Canada.

The financial support could take the form of secured and unsecured loan facilities, or an equity investment with secured and unsecured loan facilities. In the case of an equity investment, the Corporation's investment in the common voting shares of an airline could not exceed 20% of the total principal amount of the secured and unsecured loan facilities. Air Canada was the only airline to have a facility approved under these terms, and in November 2021 Air Canada canceled this facility without ever having drawn on it. The Large Airline LEEFF Program is no longer operational.

Airline voucher refund loan facilities

The voucher loan facilities were provided to Canadian airlines to refund cancelled travel caused by the COVID-19 pandemic. In order to be eligible for financial assistance for voucher refunds, the airline must have been a customer-facing airline and must have met the following requirements:

- a. be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction;
- b. have a minimum of \$300 million in annual pre-COVID-19 revenue; and
- c. not be involved in active insolvency proceedings.

The voucher facility is a non-revolving term loan. The aggregate amount of the voucher facility could not exceed the airline's maximum refund liability. The cap applicable to a particular airline was between 80% and 100% of the airline's estimate of the maximum refund liability. The maximum amount that an airline could borrow under this program was \$2 billion. The interest rate is fixed through the seven-year term. There is no availability remaining for any voucher refund loan.

Airline loan amendments

In March of 2022 changes were made to the original LEEFF loans to the existing borrowers in the Canadian airline industry that faced challenges due to the COVID-19 Omicron variant and related travel restrictions. These changes included: deferring the start of the increase in interest rates on LEEFF unsecured loans until December 31, 2023; extending until December 31, 2024 the time that an airline has the option to pay interest in kind (PIK) by adding it to the principal of its unsecured loan; and extending to December 31, 2023 the period that an airline has to repay its unsecured LEEFF loan in order to cancel half of the warrants a public company issued in respect of its LEEFF loan or not incur the additional 6.25 % loan fee that a borrower that is not a public company was required to pay under the LEEFF Facility.

Large Enterprise Tariff Loan (LETL) Facility

In March 2025, CEEFC was mandated by the Government of Canada to establish and administer the Large Enterprise Tariff Loan (LETL) Facility. The LETL Facility is aimed at providing up to 36-months of liquidity assistance, after considering all other sources of capital, in the form of interest-bearing term loans to large Canadian enterprises who have been (or expect to be) affected by new tariffs and countermeasures.

The objective is to help protect Canadian jobs, business operations, and investment activities by providing otherwise viable large Canadian businesses with access to liquidity until they can return to more traditional market financing. The additional liquidity provided through LETL will allow Canada's largest businesses and their suppliers to remain active during this difficult time and position them for a rapid economic recovery.

In July 2025, the Government of Canada announced that the LETL Facility would be updated to expand eligibility and provide lower cost financing to firms in the steel industry, and further announced in September 2025 that such changes would apply to all industries.

These changes included:

1. reducing the minimum annual revenue requirement from \$300 million to \$150 million,
2. reducing the minimum loan size from \$60 million to \$30 million,
3. extending the loan maturity from 5 to 7 years,
4. reducing the initial interest rate; and
5. requiring companies to prioritize worker retention.

On September 29, 2025, CEEFC announced the first loan under the LETL Facility to protect Canadian jobs and strengthen strategic industries. This inaugural loan provides Algoma Steel Inc. (Algoma) with access to \$400 million in liquidity. The Government of Ontario contributed an additional \$100 million under similar terms for total support of \$500 million. The objective of this transaction was to help stabilize a major Canadian player in the competitive global steel industry amid current tensions in the global steel trade. Definitive agreements for this loan were signed in November with a first draw of \$33.2 million disbursed on November 14, 2025.

On December 18, 2025, CEEFC announced its second loan under the LETL Facility to Arctic Canadian Diamond Company. The second loan provided the borrower with access to \$115 million in liquidity, which was upsized to \$175 million in 2026. The transaction was made with CEEFC as the sole lender and included warrants. The objective of this transaction is to help stabilize a major Canadian player in the global diamond industry amid current tariffs on the diamond market.

As of December 31, 2025, \$515 million has been committed and \$112 million is outstanding under the LETL Facility.

LETL is funded through the issuance of preferred shares, issued to fund approximately one quarter of expected draws in advance. In Q4 2025, CEEFC issued 300,000 Preferred Shares to the Government of Canada at one thousand dollars per share, amounting to \$300 million towards \$515 million of committed loans.

CEEFC Responsibilities and Governance Practices

At the outset of LEEFF, CEEFC was responsible for receiving applications, performing financial analysis and due diligence, assessing the requests against the eligibility criteria and terms approved by the Minister of Finance, and entering into and funding transactions in accordance with such terms. Currently, CEEFC is responsible for monitoring and managing its portfolio of LEEFF loans and related assets. CEEFC was funded through preference shares issued to the Government of Canada in accordance with a funding agreement.

Since the outset of LETL, CEEFC is responsible for receiving applications, performing financial analysis and due diligence, assessing the requests against the eligibility criteria and terms approved by the Minister of Finance, and entering into and funding transactions in accordance with such terms or those varied with approval from the Minister of Finance. CEEFC will be funding LETL through preference shares issued to the Government of Canada in accordance with a funding agreement.

As part of the Government of Canada's strategy to combat climate change, CEEFC has developed its own reporting for climate-related financial risks within a consolidated CDEV report comprising all its subsidiaries. The inaugural report was published in July 2023 for the year 2022, using the standards of the Task Force on Climate-related Financial Disclosures. The report for 2024 was published in July 2025. For further details refer <https://cdev.gc.ca/esg/>.

The Board of CEEFC was appointed by CDEV and is responsible for the overall strategy and operation of the Corporation. The Board has engaged a President and Chief Executive Officer with the responsibility of managing the Corporation in accordance with the mandate received from the Minister of Finance. CEEFC has a management team that works closely with financial and legal advisors, contractor specialists, and the Board to ensure the effective functioning of the Corporation. CEEFC's parent, CDEV, provides support functions and the expertise of some of its executive team to the Corporation, in exchange for a management fee, through a services agreement.

The public communications of CEEFC, including this quarterly report, may include forward-looking statements that reflect management's expectations regarding CEEFC's objectives, strategies, outlooks, plans, anticipations, estimates, and intentions. By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. In particular, predictions, forecasts, projections, or other elements of forward-looking statements may not be achieved.

A number of risks, uncertainties, and other factors could also cause actual results to differ materially from what is currently expected. Specifically, CEEFC's interest income on loans is calculated using the effective interest rate method ("EIRM") which includes a number of assumptions concerning the timing of expected loan draws and loan repayments. These assumptions may change based on updated information and could give rise to gains or losses over the term of the loans. Such gains or losses are recognized in the Statement of Operations in the period in which assumptions are updated. CEEFC also owns warrants and preferred shares that are subject to market risk that will affect the future financial results when sales are made.

Management Discussion and Analysis of Results

6.0 Management Discussion and Analysis of Results

Corporate Performance

As part of its mandate, CEEFC funds loans in accordance with its existing agreements and monitors and manages its portfolio of loans and other assets. CEEFC is required to receive loan applications and assess the requests against the eligibility criteria and terms approved by the Minister of Finance.

CEEFC developed processes and procedures to implement both the LETL and the LEEFF Programs. CEEFC also engaged financial and legal advisors to assist in evaluating loan applications and executing loan documents. Detailed below are the outstanding loans that CEEFC has issued, which the Corporation is now monitoring and managing.

Leadership

Bruno Lemay, the former President and CEO resigned effective January 3rd, 2026.

On February 4, 2026, Lorraine Audsley was appointed as the President and Chief Executive Officer of Canada Enterprise Emergency Funding Corporation (CEEFC), effective February 24, 2026.

In this role, Ms. Audsley will provide strategic leadership and operational oversight as CEEFC delivers high-impact financing initiatives on behalf of the Government of Canada. This includes the \$10-billion Large Enterprise Tariff Loan (LETL) Facility that provides financing support for large Canadian enterprises affected by actual and potential new tariffs and countermeasures and which face challenges accessing traditional sources of market financing.

Loans issued and outstanding

FACILITY TYPE	AMORTIZED COST LOAN OUTSTANDING ⁽¹⁾	PRINCIPAL OUTSTANDING ⁽²⁾	UNDRAWN COMMITMENT ⁽³⁾
Unsecured	\$ 476 million	\$ 728 million	\$ 320 million
Secured	\$109 million	\$112 million	\$ 84 million
Voucher	\$1,380 million	\$ 1,383 million	\$0
Working Capital	\$ 30 million	\$ 30 million	\$0
	\$1,995 million	\$2,253 million	\$ 404 million

1. Includes interest balances accrued by paying in kind ("PIK"), EIR adjustments and any provisions, net of transaction fees.
2. Includes interest balances accrued by paying in kind ("PIK"). Excludes any balances accrued on the balance sheet under the EIR method. Includes fees due on maturity.
3. Includes only those undrawn commitments that remain available to be drawn.

Borrowers are required to produce an annual climate-related financial disclosure report which follows the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures. Reports are required to be produced in June of each year.

Loan Issuance

On September 26, 2025, a new \$40 million loan facility was issued. \$20 million was drawn by September 30, 2025. This facility was subsequently expanded to \$125 million and fully drawn by December 17, 2025.

On November 14, 2025, a new \$400 million loan facility was issued. \$66.4 million was drawn by December 31, 2025.

On December 17, 2025, a new \$115 million loan facility was issued. \$45 million was drawn by December 31, 2025.

Repayment or Restructuring of Loans

On June 5, 2025, it was announced that a borrower had reached an agreement in principle with CEEFC for the restructuring of the indebtedness incurred by the borrower under the Large Enterprise Emergency Funding Facility (LEEFF) Facility. The agreement dealt with the entire indebtedness of the Corporation with CEEFC, and resulted in such indebtedness, in a principal amount of approximately \$772 million in the aggregate as at March 31, 2025, being restructured as follows:

- Repayment of \$41.4 million in cash to CEEFC.
- Credit facilities reduced to a single credit facility of \$175 million.
- Issuance to CEEFC of a \$158.7 million debenture maturing in 10 years.
- Issuance to CEEFC of \$16.3 million of preferred shares convertible into Class B Voting Shares representing 19.9% of the issued and outstanding voting shares based on the 5-day VWAP as at June 5, 2025.

This deal was executed as of July 10, 2025, with the borrower repaying the entire secured loan of \$41.4 million in cash to CEEFC. The preferred shares were issued at a price of \$2.8343.

In Q4, 2025, the existing loans of another borrower were restructured, which involved the issuance of an additional \$105 million in loans and modifications to existing terms across three tranches of debt: Tranche 1: maturity extended to 2030, shifted to zero interest debt (\$282 million of principal); Tranche 2: maturity extended to 2030, interest payable in arrears at 8% to the end of 2029 and 10% beyond, payable in kind to the end of 2027 (\$125 million of principal); Tranche 3: maturity extended to 2035, interest payable in arrears at 1.179% to June 2028 and 3.5% thereafter.

Redemption of Borrower's Preferred Shares

On August 14, 2025, the Corporation redeemed 6,243,026 or 63% of a borrower's preferred shares issued related to the restructuring described above. These shares were redeemed at a price of \$2.6053, compared to the redemption price of \$1.6400. The Corporation plans to retain the remaining preferred shares for investment purposes at the present time.

External Business Environment

The management of CEEFC's loan portfolio will depend on overall market and economic conditions as well as factors specific to CEEFC's borrowers. Ongoing global uncertainty arising from trade disputes and related tariff measures is affecting borrowers across all sectors. All CEEFC's airline borrowers were severely impacted by domestic and international travel restrictions and other economic impacts from COVID-19 on their operations, and continue to be impacted by wider trade-related sentiment towards travel to the United States.

Risks

A substantial amount of credit risk is associated with LEEFF and LETL loans based on the terms and eligibility criteria of the programs. The financial performance of CEEFC is highly dependent on economic conditions, industry dynamics and specific borrower attributes. Given CEEFC's mandate to help Canadian businesses weather the economic downturn caused either by the COVID-19 pandemic under LEEFF or by new tariffs and countermeasures under the LETL Facility, and avoid bankruptcies of otherwise viable firms, it is possible that there could be potential losses in the portfolio. CEEFC's main role was to lend based on conditions set by the Government in the LEEFF and LETL term sheets and not on an assessment of the borrower's creditworthiness or otherwise lend as directed by the Minister of Finance.

CEEFC has a high tolerance for macro-economic risks and for potential financial losses within the terms of the LEEFF and LETL Facilities. CEEFC monitors the activities of companies in its loan portfolio.

Provisions arise when there is some uncertainty in the timing or amount of a repayment in the future. During the year, total loan loss provisions of \$215 million were recognized (December 31, 2024 - \$485 million). Following a significant restructuring and improvement in the creditworthiness of two of the borrowers, \$608 million was adjusted to a reduced

amortized cost, and \$87 million of provisions booked in the period was reversed. (December 31, 2024 – nil). Of this amount, \$128 million (2024: \$485 million) was recognized in profit or loss. These provisions are reflected in the loan balances and the Statement of operations. The Corporation will continue to assess the potential impact of borrowers' developments on its financial position as further information becomes available. The outcome remains uncertain at this time and the ultimate assessment may cause the Corporation to alter its provision for loan losses.

Financial Statements for the year ended December 31, 2025

The financial statements for the year ended December 31, 2025, have been prepared in accordance with Public Sector Accounting Standards ("PSAS"). Although CEEFC is wholly owned by CDEV, CDEV does not consolidate the financial results of CEEFC under CDEV's International Financial Reporting Standards ("IFRS") accounting framework.

Total revenue for the year ended December 31, 2025, was \$108 million compared to \$161 million for the same period in 2024. The decrease in revenue is mainly due to the absence of sale of equity investments in 2025 compared to \$44 million gain recorded in 2024 and a decrease in bank interest income due to a decrease in interest rates, as well as a loss of \$1.4 million on redemption of preferred shares.

The decrease in the total expenses in 2025 compared to 2024 is largely due to the provision for losses on loans of \$128 million compared to \$485 million respectively.

To fund the LETL Facility that started in 2025, Government contribution amounted to \$300 million. On October 27, 2025, the Corporation issued 100,000 Preferred Shares to the Government of Canada at one thousand dollars per share, amounting to \$100 million. In addition, on December 15, 2025, the Corporation issued 200,000 Preferred Shares to the Government of Canada at one thousand dollars per share, amounting to \$200 million.

Cash as at December 31, 2025, was \$456 million compared to \$251 million as at December 31, 2024. This is mainly due to loan repayment of \$85 million, redemption of both preference shares and debentures of \$30 million, cash interest and fees received of about \$49 million as well as Government contribution of \$300 million regarding the LETL Facility. This is offset by \$265 million loan advanced.

Loans to borrowers totaled \$1,995 million as at December 31, 2025, compared to \$1,955 million as at December 31, 2024. The marginal increase is primarily due to the net movement between disbursement of new loans and repayment of old loans.

The fair value of the borrower's warrants as at December 31, 2025, was \$41 million compared to \$8 million on December 31, 2024. The significant increase is attributed to new warrants of \$26 million issued with loan drawdowns under the LETL Facility as well as mark-to-market gains recorded during the year.

No dividends were paid to the common or preference shareholders during the year ended December 31, 2025.

Variances to Budget

Variations between budgeted and actual financial results for the year ended December 31, 2025, reported on the Statement of Operations are discussed below.

Total revenue for the year ended December 31, 2025, was higher by \$56 million in comparison to budget largely due to interest income on loans to borrowers and interest income on bank deposits.

Total expenses for the year ended December 31, 2025, was higher by \$114 million in comparison to budget largely due to provision for loan losses. During the year, provision for loan losses of \$128 million was recorded in the statement of operations as compared to \$ nil per budget. This is partly offset by a decrease of \$13.5 million in professional fees recorded in the statement of operations compared to budget.

Government contribution increased by \$300 million compared to budget because of the funding received from the Government of Canada regarding the new LETL Facility.

Financial statements of Canada Enterprise Emergency Funding Corporation

YEAR ENDED DECEMBER 31, 2025

7.0 Management Responsibility For Financial Statements

The accompanying Financial Statements of Canada Enterprise Emergency Funding Corporation (“CEEFC” or the “Corporation”) are the responsibility of management and were authorized for issue by the Board of Directors on March 16, 2026. The financial statements have been prepared by the Corporation in accordance with the Public Sector Accounting Standards. Where alternative accounting methods exist, the Corporation has chosen those it deems most appropriate in the circumstances.

CEEFC maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the preparation of the financial statements, and that its assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibilities for the financial statements in this report principally through its Audit Committee. The Audit Committee reviews CEEFC’s financial statements and reports its findings to the Board for its consideration and approval. The Audit Committee also meets with the Corporation’s joint auditors to discuss auditing matters and financial reporting issues.

As President and Chief Executive Officer and Chief Financial Officer of CEEFC, we have reviewed the Corporation’s financial statements, and based upon our knowledge, having exercised due diligence, we believe they fairly present, in all material respects, the Corporation’s financial position as at December 31, 2025, and its financial performance and cash flows for the Year ended December 31, 2025.

March 16, 2026



Lorraine Audsley

PRESIDENT & CHIEF EXECUTIVE OFFICER

CEEFC



Michael Woodward

CHIEF FINANCIAL OFFICER

CEEFC



INDEPENDENT AUDITORS' REPORT

To the Minister of Finance and National Revenue

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Canada Enterprise Emergency Funding Corporation (the Corporation), which comprise the statement of financial position as at 31 December 2025, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2025, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation 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. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 these 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation 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.

We 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of Canada Enterprise Emergency Funding Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of Canada Enterprise Emergency Funding Corporation, and the directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 of the financial statements.

In our opinion, the transactions of Canada Enterprise Emergency Funding Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canada Enterprise Emergency Funding Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Enterprise Emergency Funding Corporation to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Sophie Bernard, CPA
Principal
for the Auditor General of Canada



Chartered Professional Accountants,
Licensed Public Accountants

Ottawa, Canada
March 16, 2026



Statement of Financial Position
As at December 31
(Thousands of Canadian Dollars)

	2025	2024
Financial Assets		
Cash	\$ 456,261	\$ 250,915
Interest and other receivables	722	1,346
Loans to borrowers (Note 3)	1,994,685	1,955,153
Derivative (Note 4)	17,400	-
Preferred Shares (Note 4)	9,340	-
Warrants (Note 4)	41,254	7,861
	2,519,662	2,215,275
Financial Liabilities		
Trade payables	611	643
Deferred liability (Note 8)	24,877	-
Due to shareholder (Note 5)	984	290
	26,472	933
Net Financial Assets and Accumulated Surplus (Note 6)	2,493,190	2,214,342

Accumulated surplus is comprised of:

Accumulated surplus from operations	2,512,768	2,235,811
Accumulated remeasurement losses	(19,578)	(21,469)
	\$ 2,493,190	\$ 2,214,342

The accompanying notes are an integral part of these financial statements.

Signed by:
Nathalie Bernier
DBBC1B0B23CC4F6...

On behalf of the Board: _____ Director

Signed by:
Sandra Rosch
C3CCA747339B46E...

_____ Director



**CANADA ENTERPRISE EMERGENCY
FUNDING CORPORATION**

Statement of Operations
Year ended December 31
(Thousands of Canadian Dollars)

	2025			2024
	Budget ⁽¹⁾	Actual	Actual	
Revenue				
Interest income – loans	\$ 52,413	\$ 100,887	\$ 102,878	
Interest income – bank	-	8,744	14,476	
Gain on sale of equity investments (Note 4)	-	-	44,008	
Loss on redemption of preferred shares	-	(1,430)	-	
	52,413	108,201	161,362	
Expenses				
Professional fees	15,000	1,389	1,296	
Management fees (Note 5)	904	1,508	904	
Salaries and benefits	200	347	246	
Provision for losses on loans (Note 3)	-	128,000	485,000	
Other expenses	680	-	-	
	16,784	131,244	487,446	
(Deficit) surplus before Government contribution	35,629	(23,043)	(326,084)	
Government contribution (repayment) (note 6)	-	300,000	(873,000)	
(Deficit) surplus for the year	35,629	276,957	(1,199,084)	
Accumulated surplus from operations, beginning of year	2,636,251	2,235,811	3,434,895	
Accumulated surplus from operations, end of year	\$ 2,671,880	\$ 2,512,768	\$ 2,235,811	

¹The 2025 financial year budget is reflected in the Statement of Operations and the Statement of Change in Net Financial Liabilities. Budget data presented in these financial statements is based upon the 2025 projections and estimates contained within the 2025 to 2029 Corporate Plan.

The accompanying notes are an integral part of these financial statements.

 **CANADA ENTERPRISE EMERGENCY
FUNDING CORPORATION**

Statement of Remeasurement Gains and Losses
Year ended December 31
(Thousands of Canadian Dollars)

	2025	2024
Accumulated remeasurement losses, beginning of year	\$ (21,469)	\$ (104,230)
Remeasurement gains (losses) arising during the year		
Unrealized gains (losses) on equity investments	(1,124)	140,847
Unrealized gains (losses) on warrants	3,015	(14,078)
Amount reclassified to the Statement of Operations		
Realized gains on equity investments	-	(44,008)
Net remeasurement gains, for the year	1,891	82,761
Accumulated remeasurement losses, end of year	\$ (19,578)	\$ (21,469)

The accompanying notes are an integral part of these financial statements.

 **CANADA ENTERPRISE EMERGENCY
FUNDING CORPORATION**

Statement of Change in Net Financial Assets
Year ended December 31
(Thousands of Canadian Dollars)

		2025	2024
	Budget	Actual	Actual
(Deficit) surplus for the year	\$ 35,629	\$ 276,957	\$ (1,199,084)
Net remeasurement gains for the year	-	1,891	82,761
Increase (decrease) in financial assets	35,629	278,848	(1,116,323)
Net financial assets, beginning of year	2,636,251	2,214,342	3,330,665
Net financial assets, end of year	\$ 2,671,880	\$ 2,493,190	\$ 2,214,342

The accompanying notes are an integral part of these financial statements.



Statement of Cash Flow
Year ended December 31
(Thousands of Canadian Dollars)

	2025	2024
Operating activities:		
(Deficit) surplus for the year	\$ 276,957	\$ (1,199,084)
Adjustments for non-cash items:		
Interest income – loans (Note 3)	(100,887)	(102,878)
Gain on sale of equity investments	-	(44,008)
Loss on redemption of preferred shares	1,430	-
Provision for losses on loans (Note 3)	128,000	485,000
Loan interest and fees received in cash (Note 3)	48,947	29,700
	354,447	(831,270)
Change in non-cash working capital:		
Interest and other receivables	624	2,063
Due from (to) shareholder	694	10
Trade payables	(31)	160
	1,287	2,233
Change in cash (used in) provided by operating activities	355,734	(829,037)
Investing activities:		
Proceeds on sale of equity investment	-	544,008
Redemption of Debenture	13,735	-
Redemption of Preferred Shares	16,265	-
Loans to borrowers, net of fees and recoverable expenses	(265,400)	-
Principal repayment of loans to borrowers	85,012	18,443
Change in cash (used in) provided by investing activities	(150,388)	562,451
Cash, beginning of year	250,915	517,501
Cash, end of year	\$ 456,261	\$ 250,915

The accompanying notes are an integral part of these financial statements.

1. Reporting entity

Canada Enterprise Emergency Funding Corporation (“CEEFC”, or the “Corporation”) is a wholly owned subsidiary of Canada Development Investment Corporation (“CDEV”). CDEV is, in turn, wholly owned by His Majesty in Right of Canada (the “Government” or the “Government of Canada”). In compliance with a directive (P.C. 2020-305) given by the Governor in Council, CDEV incorporated CEEFC under the *Canada Business Corporations Act* (“CBCA”) on May 11, 2020. The Corporation is a non-agent Crown Corporation and is subject to the *Financial Administration Act* (“FAA”) but is not subject to provisions of the *Income Tax Act*. Whilst CEEFC is a wholly owned subsidiary of CDEV, CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC.

The objective of the Corporation, as established by the directive (P.C. 2020-307) pursuant to section 89 of the FAA, was to administer, approve, and fund transactions in accordance with the terms approved by the Minister of Finance in relation to the Large Employer Emergency Financing Facility Program (“LEEFF Program” or the “Financing Program”). The Financing Program was designed to provide bridge financing to Canada’s largest employers, whose needs during the coronavirus (“COVID-19”) pandemic were not being met through conventional financing. Refer to Note 3 for further details of the Financing Program.

In April 2021, the LEEFF Program was expanded to provide financial assistance to Canadian Air Carriers. In addition to the unsecured and secured loan facilities, a LEEFF Air Carrier Voucher Facility was made available under the LEEFF Program to Canadian Air Carriers to provide refunds to travelers, for travel cancellations owing to the pandemic. Financial support could also have included an investment by the Corporation, in common voting shares of large airlines. Refer to Note 3 for further details.

As of July 2022, as directed by the Minister of Finance, CEEFC no longer accepts or processes new LEEFF loan applications. Existing loans are commercially managed with a focus on maximizing recoveries, obtaining Minister of Finance approval for amendments when necessary.

Large Enterprise Tariff Loan Facility ("LETL Facility")

On March 23, 2025, a section 89 directive was issued by the Governor in Council to CEEFC (P.C. 2025-0455) directing it to administer a new credit support facility for large Canadian companies affected by actual and potential tariffs and countermeasures, in accordance with the terms and conditions approved by the Minister of Finance or those varied with approval from the Minister of Finance. On the same day, CDEV was also issued a section 89 directive (P.C. 2025-0456) to take such steps as are necessary to ensure that CEEFC administers this new credit support facility, in accordance with any directive that may be given to CEEFC. Additionally, an order in council (OIC) was issued on March 23, 2025, under paragraph 60.2(2)(a) of the FAA to authorize the Minister of Finance to enter into a contract with CEEFC to purchase up to \$10 billion in securities to finance this new credit support facility.

The order in council mandated CEEFC to establish and administer the LETL Facility. The LETL Facility is a program aimed at providing liquidity assistance in the form of interest-bearing term loans to large Canadian enterprises who have been (or expect to be) affected by new tariffs and countermeasures. In September 2025, the Prime Minister announced a further modification to the LETL Facility to allow for the participation of companies with revenues over \$150 million and provide additional financial support, through flexible terms to help firms in all sectors impacted by tariffs adapt, diversify, and grow.

The intent of the LETL Facility is to provide financing to cover an eligible applicant's 36-month liquidity shortfall, after considering all other sources of capital, helping these enterprises preserve employment and operations until they can access more traditional market financing.

The objective of this support is to help protect Canadian jobs, business operations, and investment activities in the face of actual and potential tariffs and countermeasures. This will be accomplished by providing otherwise viable large Canadian businesses with access to liquidity until they can return to more traditional market financing. The additional liquidity provided through LETL will allow Canada's

largest businesses and their suppliers to remain active during this difficult time and position them for a rapid economic recovery.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") as issued by the Public Sector Accounting Board.

A) CASH:

Cash includes funds deposited in bank accounts at Canadian financial institutions that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash is recorded at cost.

B) LOANS TO BORROWERS:

Loans to borrowers include loans advanced under both the LEEFF and LETL Facilities and are recorded initially at cost, which is the cash or value of other assets given up, or liabilities assumed, and subsequently measured at amortized cost less valuation allowances and write-offs.

Under terms of the loans, if the Corporation provides unsecured loans to Canadian public companies or private subsidiaries of Canadian public companies, it will receive warrants, exercisable for common shares of the borrower. Borrowers without publicly traded shares are required to provide the Corporation with compensation in the form of additional fees based on the cumulative amount of draws under the unsecured loan, payable at the repayment or maturity of the unsecured loan.

The effective interest rate ("EIR") on a loan is computed based on the cash flows first estimated by the Corporation. Any change to the estimated cash flow or terms that do not constitute a substantial modification or extinguishment results in a modification gain or loss. Such modification gain or loss is computed by discounting the revised estimated cashflows at the original EIR. Where changes in estimated cash flows or loan terms result in a substantial modification or extinguishment, the Corporation de-recognizes the amortized cost of the original loan and recognizes a new loan at cost and recognizes a loss on extinguishment for the significant change.

When the amount of a loss is known with sufficient precision, and there is no prospect of recovery, the loan receivable is reduced by the amount of that loss. The write down of the loan receivable cannot be reversed subsequently. Transaction fees are included as part of the initial carrying value of the loan.

Transaction fees and loan fees are included in the carrying value of the loan based on the effective interest rate method ("EIRM"). Professional fees incurred relevant to a loan are recovered directly from the borrower upon the issuance of the loan. Since both

the fees incurred and those recovered from borrowers upon the issuance of a loan completely offset, there is no impact on the amounts recognized in income through the effective interest method.

C) IMPAIRMENT OF FINANCIAL ASSETS:

At each reporting date, the Corporation assesses all financial assets or groups of financial assets to determine whether there is any evidence of impairment. Where there is evidence of impairment, a provision for losses on loans is recorded to reduce the loans and other receivables to their expected net recoverable value. The provision for losses on loans reflects the risk of loss based on past events, current circumstances, and all available information at the date of the preparation of the financial statements. Losses as a result of a provision for losses on loans are recorded in the Statement of Operations.

D) FINANCIAL INSTRUMENTS:

Cash, interest and other receivables and trade payables are recorded at cost.

Loans to borrowers are financial instruments. Refer to Note 2(b) for additional information.

Warrants and equity investments are initially recorded and subsequently measured at fair value at each reporting period. The unrealized changes in the fair value are recognized in the Statement of Remeasurement Gains and Losses. When the fair value is realized upon sale or execution of the instrument the realized gain or loss will be reversed out of the Statement of Remeasurement Gains and Losses and reported in the Statement of Operations.

The Corporation's Financial Assets and Liabilities are measured as follows:

Financial Statements Components	Measurement
Cash	Cost
Interest and other receivables	Amortized Cost
Loans to borrowers	Amortized cost
Warrants	Fair value
Common Shares	Fair value
Preferred Shares	Fair value
Trade payables	Amortized Cost
Due to shareholders	Amortized Cost

E) GOVERNMENT CONTRIBUTION AND REPAYMENTS:

Government contribution represents the common share issued to CDEV and the preference shares issued to the Government of

Canada. Both the common and preference shares are recorded at cost based on the proceeds received at the time the shares were issued.

The Corporation may, upon giving at least 30 days' notice, redeem all or any part of the outstanding preference shares at a price of one thousand dollars per preference share, together with all declared but unpaid dividends. The aggregate proceeds from preference shares issued to the Government are included as an addition to the Government contribution line on the Statement of Operations. When these shares are redeemed by the Corporation, the aggregate redemption amount will be a deduction against the Government repayment line. For further details, see Note 6.

F) DEFERRED LIABILITY:

When warrants are issued, the unvested warrants at inception are recorded against a deferred liability. Subsequent to inception, the deferred liability is not adjusted for fair value movements and is maintained at the original value until the warrants vest. As the warrants vest, the unvested warrants and the deferred liability are de-recognized.

G) REVENUE RECOGNITION:

Interest revenue on loans to borrowers is recognized on an accrual basis and reported as revenue in the period earned. Interest revenue ceases to be accrued when the collectability of either principal or interest is not reasonably assured. Interest income is recognized in the Statement of Operations in the period it is earned using EIRM, whereby estimated future cash payments or receipts over the expected life of the loan are discounted using the effective interest rate and added to the gross carrying amount of the loan. The effective interest rate is determined based on the Corporation's estimates of future cash flows considering all contractual terms of the loan but not expected credit losses. The calculation of the effective interest rate also includes any transaction costs not directly recovered from the borrower and transaction and loan fees received or receivable that are an integral part of the effective interest rate. The fair value of the vested warrants at inception also impacts the calculation of effective interest rate. Any interest that is paid in kind by the borrower is added to the carrying amount and principal of the loan.

H) MEASUREMENT UNCERTAINTY:

The timely preparation of the financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

In the process of applying its accounting policies, management has made certain assumptions related to the amount and timing of the borrower's ability to meet their loan repayment obligations based on their projected cash flows and financial projections.

Measurement uncertainty that is material to these financial statements exists in the recoverable amount of loans to borrowers and in the fair value of equity investments classified as level 2 and 3.

The evolving global trade environment, including shifting tariffs and geopolitical tensions, contributes to heightened economic uncertainty and market volatility. These factors introduce an additional level of uncertainty for the measurement of certain accrued interest income, equity investments and loans to borrowers recorded in these financial statements. While the estimates used are based on the best available information, near-term changes in conditions could materially impact the amounts recognized or disclosed.

Management determines the provision for losses on loans, based on credit assessment of the borrower and other factors described in Note 7.

I) EQUITY INVESTMENTS:

Equity investments include investment in common shares, preference shares, and warrants in Canadian publicly traded companies.

(i) Common and preference shares:

Investment in publicly traded shares is recorded at fair value. The changes in fair value are reported in the Statement of Remeasurement Gains and Losses. When the change in the fair value is realized upon sale of the shares the realized gain or loss is reversed from the Statement of Remeasurement Gains and Losses and recorded in the Statement of Operations. Earnings from these investments are recognized only to the extent received or receivable.

(ii) Warrants:

Warrants, received as part of the issuance of certain loans receivable, will vest in the same proportion and at same time advances are made under the loan facility. The vested warrants at inception are netted against the loan receivable. The unvested warrants at inception are recorded against a deferred liability. Subsequently both vested and unvested warrants are measured at fair value with the change in the fair value being recorded in the Statement of Remeasurement Gains and Losses at the end of the period. The realized fair value upon sale or execution is reversed from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

J) FUTURE CHANGES IN ACCOUNTING STANDARDS:

Effective April 1, 2026, both the new Conceptual Framework and PS 1202 will apply to all public sector entities following public sector accounting standards in Canada.

Conceptual Framework:

The Conceptual Framework outlines the nature, purpose, and boundaries of financial accounting and reporting. It serves as the foundation for developing PSAS and guiding professional judgment. It will replace the conceptual elements currently found in PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives. CEEFC is currently reviewing its accounting policy to ensure alignment with the new Conceptual Framework.

PS 1202 Financial Statement Presentation:

This standard establishes both general and specific requirements for presenting information in public sector financial statements. Its guidance is grounded in the principles and concepts set out in the Conceptual Framework.

The main changes would be to the statement of financial position, by adding a new statement of net financial assets or net financial liabilities and adding a classification of liabilities into financial or non-financial liabilities. The statement of remeasurement gains and losses would also be a component of statement of changes in net assets or net liabilities.

The Corporation is currently assessing the impact of this standard.

3. Loans to borrowers:

The Corporation issued loans under the LEEFF and LETL Facilities as described below.

A) ORIGINAL LEEFF LOANS (INCLUDING NON-LARGE AIRLINE COMPANIES):

To qualify for a loan, a borrower other than a large airline company had to meet the following requirements: must have sought financing of \$60,000 or more, had significant operations or workforce in Canada, and was not involved in active insolvency proceedings. The loan was provided by way of two loan facilities: (i) an unsecured loan facility equal to 80% of the aggregate loan, and (ii) a secured loan facility equal to 20% of the aggregate loan. The loan was advanced in tranches over 12 months, and interest is charged based on the terms and conditions of the loan agreements with the borrower. The duration of the unsecured loan facility is five years. The secured loan facility matches the terms of the borrower's existing secured debt. At the option of the borrower, the principal amount plus accrued and unpaid interest under the loan facilities may be repaid in whole or in part without penalty at any time. Amounts repaid may not be reborrowed.

For two years after issuance of the unsecured loan facility, a borrower may elect to make interest 'payments in kind' (PIK Interest") by adding the interest to the principal of the loan. PIK Interest added to the principal amount bears interest at the applicable interest rate and is treated as part of the principal balance.

The obligations in respect to the secured loan facility of each borrower are secured by a perfected security interest in tangible and intangible assets of the borrower (i) that are currently unencumbered and are satisfactory to the Corporation in its sole discretion, or (ii) that are subject to security interests in favour of first priority senior secured lenders ("Senior Lenders") of the borrower, which security interest shall rank equally with the security interests in favour of the Senior Lenders. Interest accrues daily and the annual rate charged on the drawn portion of the unsecured loan facility is 5%, 8%, 10%, 12%, and 14% in years one to five, respectively. Upon any event of default, the applicable interest rate will be increased by 2% per annum. The interest rate charged on the drawn portion of the secured loan facility is the interest rate applicable on the borrower's existing secured loan agreement.

If the borrower is a Canadian publicly traded company (or the private subsidiary of a Canadian publicly traded company), the Corporation receives warrants with the option to purchase the borrower's (or their parent publicly traded company's) common shares with an aggregate exercise price equal to 18.75% of the total commitment unsecured loan facility. Vested warrants are exercisable in whole or in part, at any time or times after the date vested and during the 10-year term, provided that the number of warrants, together with all warrants previously exercised, do not exceed more than half of the warrants vested within one year from the closing date. If the loan is repaid within a year, half of all vested warrants will be cancelled. Refer to Note 4(b) for additional details on the warrants received by the Corporation.

Private borrowers that are not Canadian publicly traded companies are charged a non-refundable fee equal to 6.25% of the aggregate principal amount advanced of the unsecured loan facility, payable on the maturity date of the unsecured loan facility. If the loan is not repaid in full within one year of loan issuance, an additional 6.25% fee will be payable on the maturity date of the unsecured loan facility.

On the closing date of the loan, the borrower is required to pay a non-refundable transaction fee of 25 basis points ("bps") of the aggregate commitment amount of the loan to the Corporation. The borrower is also required to reimburse the Corporation for legal and financial advisory expenses incurred by the Corporation related to the borrower's loan.

The emergence of the COVID-19 Omicron variant and related travel advisories resulted in the COVID-19 pandemic persisting longer than originally anticipated and correspondingly borrowers in the airline industry were facing a delayed recovery and longer time to restart operations. Consequently, during the first quarter of 2022, amendments to the current LEEFF terms were made to assist the existing airline borrowers with their financial needs by deferring the start of the increase in interest rates on LEEFF unsecured loans until

December 31, 2023, extend the option to PIK Interest until December 31, 2024 and extend to December 31, 2023, the period that an airline has to repay its unsecured LEEFF loan in order to (i) cancel half of the warrants a Canadian public company issued in respect of its LEEFF loan or (ii) not incur the additional 6.25% loan fee that a borrower that is not a Canadian public company is required to pay under LEEFF Program.

(i) Large Airline Company Facilities:

To qualify for financial support, large airline companies (hereafter known as the "Large Airline") had to meet the following requirements: (i) be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction, (ii) have a minimum of \$4,000,000 in 2019 annual revenue, (iii) not be involved in active insolvency proceedings, and (iv) have significant operations or workforce in Canada. The financial support may take the form of secured and unsecured loan facilities, or an equity investment with secured and unsecured loan facilities. In the case of an equity investment, the Corporation's investment in the common voting shares of a Large Airline could not exceed 20% of the total principal amount of the secured and unsecured loan facilities.

The loan facilities may be revolving loans or non-revolving term loans and may be divided into one or more tranches. The principal amount of the unsecured loan facility may not exceed 80% of the total principal amount of the secured and unsecured loan facilities.

The interest rate on the loan facilities may be fixed or floating and the maturity date of the loan facilities is up to seven years from the closing date. On the closing date of the loan, the borrower was required to pay a non-refundable transaction fee of 25 bps of the aggregate commitment amount of the loan to the Corporation. The borrower was also required to reimburse the Corporation for legal and financial advisory expenses incurred by the Corporation related to the borrower's loan.

If the Large Airline was a Canadian public company, the Corporation would receive warrants exercisable for common voting shares with an aggregate exercise price equal to 10% of the total principal amount of the secured and unsecured loan facilities. One-half of the warrants to vest on the closing date and the balance to vest in the same proportion and at the same time as advances are made under the unsecured loan facilities. Vested warrants are exercisable, in whole or in part, within the 10-year term.

(ii) Airline Voucher Refund Facilities:

To qualify for a loan under the airline voucher refunds program, an airline had to meet the following requirements: (i) be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction, (ii) have a minimum of \$300,000 in annual pre-COVID-19 revenue, and (iii) not be involved in active insolvency proceedings. The maximum amount that an airline was able to borrow under this program is \$2,000,000 and the amount borrowed had to be in the form of non-revolving term loan.

The interest rate on this facility was the Government of Canada seven-year bond rate, and the maturity date is up to seven years from the closing date.

B) LARGE ENTERPRISE TARIFF LOAN FACILITY:

To be eligible for the loan, a borrower must be a commercial entity incorporated or otherwise constituted under federal Canadian law or the laws of a Canadian province or territory and must have a minimum of \$150,000 in consolidated annual revenue. The borrower's most recent annual or interim financial statements must not contain a going concern note, qualification or note of emphasis (other than directly related to the tariffs and countermeasures) or the Borrower can otherwise demonstrate (through the application process and by attestation) to the reasonable satisfaction of the Lender that it was solvent as at December 31, 2024. The borrower must not be subject to active insolvency proceedings, or must be able to demonstrate solvency as at December 31, 2024.

In addition, the borrower must show that it has a significant impact on the Canadian economy, either through (i) substantial operations in Canada or (ii) the support of a significant Canadian workforce. The borrower must also demonstrate that it has been adversely affected by the tariffs and countermeasures, that the LETL is required as part of its plan to return to financial stability, and that it will make reasonable commercial efforts to minimize employment losses and maintain its domestic business activities.

The loan is provided by way of two loan facilities: (i) an unsecured loan facility equal to 75% of the aggregate loan, and (ii) a secured loan facility equal to 25% of the aggregate loan. The loan is advanced in tranches over 36 months, and interest is charged based on the terms and conditions of the loan agreements with the borrower. The duration of the unsecured loan facility is seven years.

The secured loan facility matches the terms of the borrower's existing secured debt. At the option of the borrower, the principal amount plus accrued and unpaid interest under the loan facilities may be repaid in whole or in part without penalty at any time. Amounts repaid may not be reborrowed. For two years after issuance of the unsecured loan facility, a borrower may elect to make interest 'payments in kind' ("PIK Interest") by adding the interest to the principal of the loan. PIK Interest added to the principal amount bears interest at the applicable interest rate and is treated as part of the principal balance.

For the unsecured loan, interest will accrue daily at the rate equal to Term CORRA (3 months) plus 200 bps, payable on calendar quarters in arrears. Thereafter, the interest rate will increase by 200 bps per annum, up to a maximum of Term CORRA (3 months) plus 1000 bps, and such increase shall become effective on the first day of the quarter immediately following the anniversary of the applicable Closing Date. With respect to the secured loan facility, the applicable interest rates will be the interest rate applicable to any term loans provided under the existing senior loan agreement (or such other rate as the Lender in its sole discretion may agree).

The financial support may include an investment in common shares of the Borrower or Foreign Public Company in an amount to be determined by the Investor not to exceed 20% of the total principal amount of the secured and unsecured Loan Facilities, and not to exceed shares carrying more than 19.9 per cent of the votes attached to the outstanding voting shares of the Borrower. The shares will be usually issued to the Investor at a discount.

If the Borrower is a Canadian public company (being a reporting issuer in any province or territory of Canada) with publicly listed equity shares (within the meaning of securities legislation), or an entity a majority of whose equity interests are owned, directly or indirectly, by a Canadian public company or a Foreign Public Company, the Borrower will provide the Lender with warrants exercisable for common shares with an aggregate exercise price equal to 20% of the total principal amount of the unsecured loan facility. If the unsecured loan facility is repaid in full and terminated within 36 months of the initial advance, one half of the vested warrants will expire.

The borrowers are charged a non-refundable fee equal to $6^{2/3}\%$ of the aggregate principal amount advanced of the unsecured loan facility, payable on the maturity date of the unsecured loan facility. If the loan is not repaid in full within three years of loan issuance, an additional $6^{2/3}\%$ fee will be payable on the maturity date of the unsecured loan facility.

On the closing date of the loan, the borrower is required to pay a non-refundable transaction fee of 25 basis points ("bps") of the aggregate commitment amount of the loan to the Corporation. The borrower is also required to reimburse the Corporation for reasonable legal and financial advisory expenses incurred by the Corporation related to the borrower's loan. Subject to the Minister's approval, individual loans issued can differ from the program's overall terms and conditions.

On September 29, 2025, CEEFC announced the first loan under the LETL Facility to protect Canadian jobs and strengthen strategic industries. This inaugural loan will provide Algoma Steel Inc. (Algoma) with access to \$400,000 in liquidity. The transaction was made in conjunction with a loan from the Ontario Government for \$100,000 and included warrants. The objective of this transaction is to help stabilize a major Canadian player in the competitive global steel industry, amid current tensions in the global steel trade.

On December 18, 2025, CEEFC announced its second loan under the LETL Facility. The second loan will provide Arctic Canadian Diamond Company with access to \$115,000 in liquidity. The transaction was made with CEEFC as the sole lender and included warrants. The objective of this transaction is to help stabilize a major Canadian player in the global diamond industry amid current tariffs on the diamond market.

The following table provides a breakdown of the loan facilities.

LEEFF Facility	December 31, 2025	December 31, 2024 ⁴
Number of borrowers	4	4
Loan commitment¹		
Unsecured loan facilities	\$ 727,882	\$ 611,391
Secured loan facilities	-	83,957
Working capital facilities	30,000	-
Airline voucher refund facilities	1,382,980	1,736,196
	\$ 2,140,862	\$ 2,431,544
Principal outstanding²		
Unsecured loan facilities	727,882	611,391
Working capital facilities	-	83,957
Secured loan facilities	30,000	-
Airline voucher refund facilities	1,382,980	1,736,196
	\$ 2,140,862	\$ 2,431,544
Amortized cost loan balance³		
Unsecured loan facilities	475,631	369,477
Secured loan facilities	-	83,994
Working capital facilities	30,016	-
Airline voucher refund facilities	1,379,790	1,501,682
	\$ 1,885,437	\$ 1,955,153

LETL Facility	December 31, 2025	December 31, 2024
Number of borrowers	2	-
Loan commitment¹		
Unsecured loan facilities	\$ 320,000	\$ -
Secured loan facilities	195,318	-
	\$ \$515,318	\$ -
Principal outstanding²		
Unsecured loan facilities	\$ -	-
Secured loan facilities	111,718	-
	\$ 111,718	\$ -
Amortized cost loan balance³		
Unsecured loan facilities	\$ -	-
Secured loan facilities	109,248	-
	\$ 109,248	\$ -

¹Includes drawn and undrawn commitments, earned fees, PIK balances, and fees due on maturity.

²Includes drawn commitments, earned fees, and PIK balances.

³Including accrued interest based on EIRM, PIK, transaction fees, provision for loan losses and legal and financial advisory expenses recovered from borrowers.

⁴Certain 2024 figures have been reclassified, where necessary, to conform to 2025 presentation.

As at December 31, 2025, the Principal Outstanding includes interest added to the principal through a “Pay In Kind” mechanism of \$58,799 (December 31, 2024 - \$99,990).

On July 10, 2025, the existing loans of a borrower were restructured, and as such the voucher loans were converted to debentures and preferred shares (Note 4). CEEFC received \$158,700 in Debenture and 9,900 preferred shares, valued at \$28,200. The debenture has a moratorium on interest of five years and starting July 10, 2030, this Debenture will bear interest on the outstanding principal amount at the rate of 7.0% per annum payable annually in arrears. The Interest Rate will increase by 1.0% per annum on each anniversary starting July 10, 2031, up to a maximum of 12% per annum. The debenture has a maturity date of July 10, 2035. This Debenture will not bear any interest until July 10, 2030.

On August 14th, the borrower announced a mandatory repayment due to a successful sale and leaseback, as such CEEFC redeemed part of the debentures amounting to \$13,735.

In Q4, 2025, the existing loans of another borrower were restructured, which involved the issuance of an additional \$105,000 in loans and modifications to existing terms across three tranches of debt: Tranche 1: maturity extended to 2030, shifted to zero interest debt (\$282,000 of principal); Tranche 2: maturity extended to 2030, interest payable in arrears at 8% to the end of 2029 and 10% beyond, payable in kind to the end of 2027 (\$125,000 of principal); Tranche 3: maturity extended to 2035, interest payable in arrears at 1.179% to June 2028 and 3.5% thereafter.

For the year ended December 31, 2025, the amount of interest income recognized in the Statement of Operations using EIR was \$100,887 (December 31, 2024 - \$102,878). Based on the terms of the loan agreements, the amount of interest and fees collected from borrowers in cash during the same period was \$48,947 (December 31, 2024 - \$29,700).

The following table illustrates the loan repayments for the outstanding principal and PIK Interest receivable in the next five years based on contractual maturity dates subsequent to year end.

2026 ¹	\$ 30,000
2027	-
2028	1,382,980
2029	-
2030	407,882
2031 and beyond	588,118
	\$ 2,408,980

¹Subsequent to December 31, 2025, a repayment of working capital in the amount of \$30,000 was made by one of the borrowers and has been reflected in the table.

PROVISION FOR LOSSES ON LOANS:

As described in Note 2(c), at each reporting date, the Corporation assesses all financial assets or groups of financial assets to determine whether there is any evidence of impairment.

During the year, total loan loss provisions of \$215,000 were recognized (December 31, 2024 - \$485,000). Following a significant restructuring and improvement in the creditworthiness of two of the borrowers, \$608,000 was blended to a reduced amortized cost, and \$87,000 of provisions booked in the period was reversed. (December 31, 2024 - nil). Of this amount, \$128,000 (2024: \$485,000) was recognized in profit or loss.

In estimating the recoverable amount of the loans, management applies a probability-weighted scenario approach that considers alternative outcomes based on available market data and industry-specific information. The key scenarios considered include:

- A potential market sale transaction, where relevant transaction data and earnings multiples are used to estimate potential recovery values.
- A going concern scenario.
- A liquidation scenario, where benchmark data was used to estimate the liquidation values of the assets.

Given the inherent measurement uncertainty surrounding the valuation of the loans, management exercises judgment in selecting

key assumptions based on available data for each situation and each loan impacted. Management considers various factors that may affect the ultimate recoverability of the loans, including:

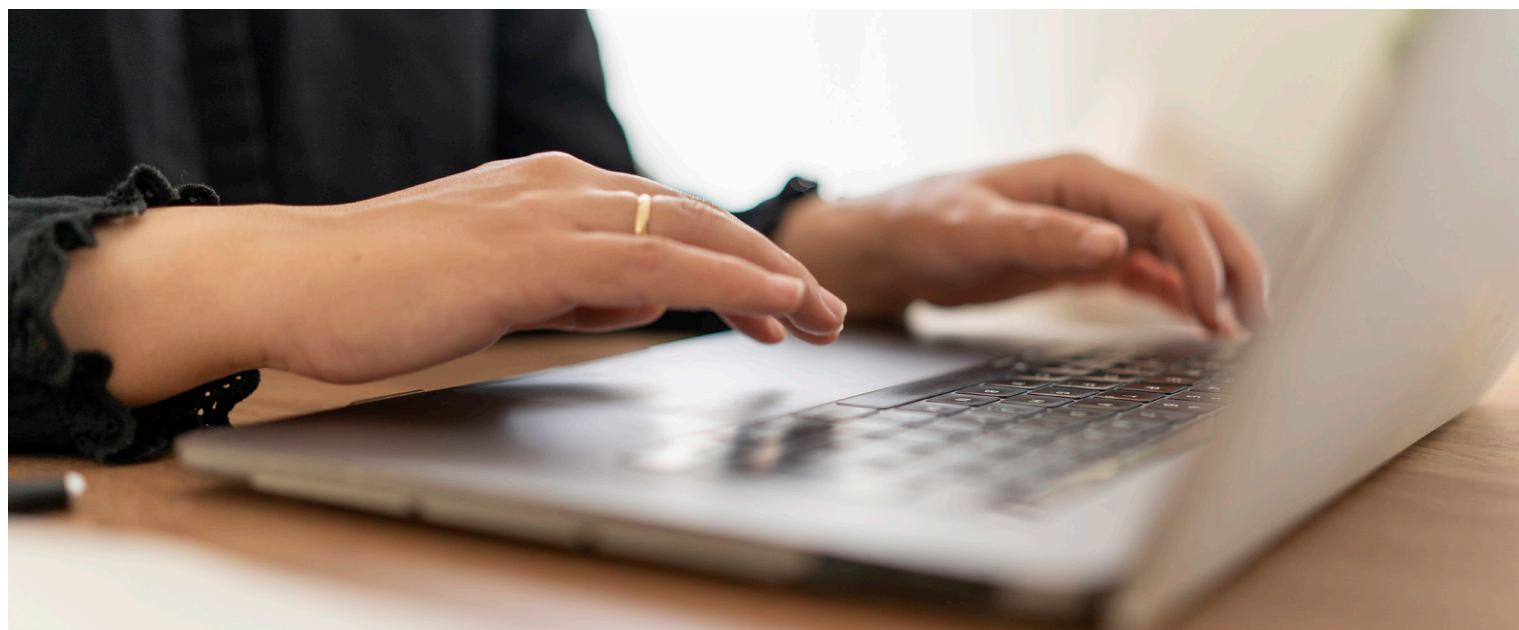
- The sensitivity of key assumptions to changes in market conditions and financial performance.
- The impact of economic conditions on potential sale or liquidation outcomes.
- The estimated recoverability under a liquidation scenario.

The assumptions and methodologies used to estimate the recoverable amount of the loans are susceptible to change in the future as conditions change.

The provision for losses on loans is reported in the Statement of Operations and as a reduction of the loans to borrowers in the Statement of Financial Position. The Corporation is closely monitoring its financial exposure to certain loans exhibiting potential indicators of impairment. The Corporation will continue to assess the potential impact of borrowers' developments on its financial position as further information becomes available. The outcome remains uncertain at this time and the ultimate assessment may cause the Corporation to alter its provision for loan losses.

REPAYMENT OF LOANS:

As of December 31, 2025, a total of \$85,012 was repaid by the borrowers (December 31, 2024 - \$18,443).



4. Equity investments:

Equity investments include the following:

A) PUBLICLY TRADED SHARES:

On April 12, 2021, the Corporation purchased 21,570,942 Class B Voting Shares of Air Canada at a price of \$23.1793 per share in actual dollars for an aggregate purchase price of \$500,000. In the fourth quarter of 2024 all the outstanding Air Canada shares of 21,570,942 were sold for an average price of \$25.2195 per share in actual dollars (The fair value of the shares as at December 31, 2023 – \$403,161). A gain of \$44,008 was recognized and reclassified from the Statement of Remeasurement Gains and Losses to the Statement of Operations as at December 31, 2024.

B) WARRANTS:

As indicated in Note 3(a), if the borrower is a public company, instead of a loan fee, the Corporation receives warrants exercisable for common voting shares. The warrants vest in proportion to the loans advanced under the unsecured loan facility. The fair value of the warrants were derived using the Black Scholes Option Pricing Model (BSOPM), a widely-used option pricing model that relies on certain key variables, including the risk-free rate; a measure of the volatility of the underlying securities; and the term to maturity. In addition to the BSOPM, a discount for lack of marketability (DLOM) was applied to the BSOPM-derived value by using the Finnerty put option pricing model because there is a sale restriction on the vested warrants. The fair value of the vested and unvested warrants as at December 31, 2025 amounted to \$17,280 and \$23,974 respectively (December 31, 2024 – \$7,861 and \$0).

The following table summarizes the vested and unvested warrants as at December 31, 2025.

Vested Warrants									
		December 31, 2025				December 31, 2024			
Exercise Price	Maturity Date	Outstanding	Share Price	Value per Instrument	Total Value	Outstanding	Share Price	Value per Instrument	Total Value
(\$)		(\$'000)	(\$/sh)	(\$/sh)	(\$'000)	(\$'000)	(\$/sh)	(\$/sh)	(\$'000)
4.50	April 2035	13,000	2.53	1.163	15,114	13,000	1.96	0.60	7,861
0.01	December 2035	434,514	0.01	0.005	2,166	-	-	-	-
11.08	December 2035	-	5.65	3.810	-	-	-	-	-
		447,514			17,280	13,000			7,861

Note: 1 AUD = -0.9147 CAD, as at 31 Dec 2025 Source: Bank of Canada - Daily exchange rates.

Unvested Warrants									
		December 31, 2025				December 31, 2024			
Exercise Price	Maturity Date	Outstanding	Share Price	Value per Instrument	Total Value	Outstanding	Share Price	Value per Instrument	Total Value
(\$)		(\$'000)	(\$/sh)	(\$/sh)	(\$'000)	(\$'000)	(\$/sh)	(\$/sh)	(\$'000)
4.50	April 2035	-	\$2.53	\$1.163	-	-	-	-	-
0.01	December 2035	675,911	\$0.01	\$0.005	\$3,369	-	-	-	-
11.08	December 2035	5,415	\$5.65	\$3.810	\$20,605	-	-	-	-
		681,326			\$23,974	-			-

C) PREFERRED SHARES:

On July 10, 2025, the existing loans of a borrower were restructured, and as such the voucher loans were converted to debentures and preferred shares. CEEFC received 9,900 preferred shares, valued at \$28,000. On August 14th, the borrower announced a mandatory repayment due to a successful sale and leaseback, as such CEEFC redeemed 6,200 of Preferred Shares amounting to \$16,265. The balance of the remaining Preferred Shares as at December 31, 2025, were valued at \$9,340 (December 31, 2024 - \$0).

The following table summarizes the Preferred Shares balances as at December 31, 2025.

December 31, 2025				December 31, 2024			
Outstanding	Share Price	Value per Instrument	Total Value	Outstanding	Share Price	Value per Instrument	Total Value
(000's)	(\$/sh)	(\$/sh)	(\$'000)	(000's)	(\$/sh)	(\$/sh)	(\$'000)
3,692	\$2.53	\$2.53	\$9,340	-	-	-	-

D) DERIVATIVE:

In December 2025, the existing loans of a borrower were restructured, and CEEFC received the entitlement to a stream of cash payments, payable if certain future events occur, most notably a sale of the company. These have been fair value assessed at \$17,400 using a monte-carlo simulation model.

5. Transactions with related parties:

Related parties include the parent entity, CDEV and its subsidiaries, all Government of Canada departments, agencies, and Crown corporations, and key management personnel. Key management personnel are comprised of the directors and executive officers of the Corporation that are paid by the Corporation and are not included in the management fees charged by CDEV to the Corporation.

During the year ended December 31, 2025, CDEV provided management services to the Corporation, related to executives, administration, banking, financial, and support services, in respect of which it billed \$1,508 (December 31, 2024 - \$904). These amounts are reported as management fees on the Statement of Operations. The management fee paid by CEEFC to CDEV is determined on fixed fee basis wherein the amount is set since the incorporation of CEEFC in 2020 and subject to periodic review. The amount outstanding as at December 31, 2025 was \$984 (December 31, 2024 - \$290)

The Corporation also agreed to reimburse CDEV for certain expenses CDEV incurred on behalf of the Corporation including (i) professional and advisory fees and expenses, (ii) salaries and employee benefits, (iii) director fees and expenses, and (iv) insurance and other expenses that may be agreed upon by the parties from time to time.

The following table summarizes the expenses paid by CDEV and reimbursed by CEEFC.

	2025	2024
Salaries and benefits, including director fees and expenses	\$ 347	\$ 240
Other expenses	-	43
	\$ 347	\$ 283

6. Accumulated surplus:

Accumulated surplus consists of the accumulated surplus at the beginning of the period plus surplus or less (deficit) before Government contribution/(repayment) plus any Government contribution or less (repayment). The following are additional details about the Corporation's Government contribution/(repayment).

A) COMMON SHARES:

The Corporation is authorized to issue an unlimited number of common shares. Holders of these shares are entitled to dividends, as and when declared from time to time, and are entitled to one vote per share at general meetings of the Corporation. No dividends were declared during the period ended December 31, 2025 (December 31, 2024 – nil).

As at December 31, 2025, the Corporation had 1 authorized and fully paid common share (December 31, 2024 – one thousand dollars) at a price of one thousand dollars issued to CDEV.

B) PREFERENCE SHARES:

LEEFF Program:

On June 18, 2020, a Funding Agreement was entered into between CEEFC and the Minister of Finance representing the Government of Canada regarding the funding of CEEFC, pursuant to paragraphs 60.2(2)(a)(i) and 60.2(2)(a)(iii) of the FAA. The funding is by way of subscription for Class A preference shares ("preference shares") of the Corporation on the terms set forth in the Funding Agreement to provide funding to CEEFC for the administration and implementation of the LEEFF Program.

The holders of the preference shares are not entitled to vote at any meeting of the shareholders of the Corporation, except where the holders of another class or series of shares of the Corporation are entitled to vote separately as a class or series.

The holders of the preference shares, in priority to the holders of the common shares and any other shares ranking junior to the preference shares, are entitled to receive preferential dividends as and when they are declared by the Board of Directors. If, in any fiscal year, the Board of Directors has not declared any dividends on the preference shares, then the holders of such shares shall have no right to any such dividend for that year.

The Corporation may, upon giving at least 30 days' notice, redeem all or any part of the outstanding preference shares at a price of one thousand dollars per preference share, together with all declared but unpaid dividends.

The aggregate proceeds from preference shares issued to the Government are included as an addition to the Government contribution line on the Statement of Operations. When these shares are redeemed by the Corporation, the aggregate redemption amount will be a deduction against this line item.

In 2025, the Corporation redeemed zero preference shares. In 2024, the Corporation redeemed 873,000 preference shares for \$873,000 from the Government of Canada.

LETL Program

On March 21, 2025 CEEFC entered into a funding agreement with the Government of Canada under the LETL Program. CEEFC has been directed by P.C. 2025-0455, issued by the Governor in Council under section 89 of the Financial Administration Act (the "FAA"), to administer, approve and fund transactions, in accordance with the terms and conditions approved by the Minister of Finance or those varied with approval from the Minister of Finance, in relation to the LETL Facility, effective on the day on which it is made. To administer this program, CEEFC has been authorized, pursuant to section 91(3)(a) of the FAA, by P.C. 2020-306 to sell or otherwise dispose of any of its shares.

As a result, the Governor in Council has authorized that a Funding Agreement be entered into pursuant to paragraphs 60.2(2)(a) of the FAA to provide funding to CEEFC for the administration and implementation of the LETL Program; by way of subscription for Class B preference shares of the Corporation, on the terms set forth under the Funding Agreement.

The Corporation may, upon giving at least 30 days' notice, redeem all or any part of the outstanding preference shares at a price of one thousand dollars per Class B preference share, together with all declared but unpaid dividends.

The aggregate proceeds from preference shares issued to the Government are included as an addition to the Government contribution line on the Statement of Operations. When these shares are redeemed by the Corporation, the aggregate redemption amount will be a deduction against this line item.

On October 27, 2025, the Corporation issued 100,000 Preferred Shares to the Government of Canada at one thousand dollars per share, amounting to \$100,000. In addition, on December 15, 2025, the Corporation issued 200,000 Preferred Shares to the Government of Canada at one thousand dollars per share, amounting to \$200,000.

Changes to the preference shares issued and outstanding are summarized below.

	December 31, 2025		December 31, 2024	
	Number of shares (in 000's)	Amount	Number of shares (in 000's)	Amount
Balance, beginning of year	2,217	\$ 2,217,000	3,090	\$ 3,090,000
Shares issued	300	300,000	-	-
Shares redeemed	-	-	(873)	(873,000)
Balance, end of year	2,517	\$ 2,517,000	2,217	\$ 2,217,000

7. Financial risk management:

The nature of the Corporation's operations exposes the Corporation to risks that may have a material effect on cash flows and Statement of Operations. This note provides information about the Corporation's exposure to each of these risks as well as the Corporation's objectives, policies, and processes for measuring and managing them.

A) CREDIT RISK:

Credit risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations. The carrying amount of loans to borrowers represents the Corporation's maximum credit exposure. The Corporation attempts to mitigate this risk by requiring collateralization for its secured loan facilities. Collateralization is the security package provided to a counterparty's secured lenders alongside which the Corporation's secured facility is provided.

The Corporation's credit risk is primarily concentrated in two distinct portfolios, each with different risk profiles based on their governing mandates:

- **LEEFF:** This legacy portfolio introduced in 2020 contains the highest concentration of risk. These loans were provided to large Canadian employers who could not access conventional financing during the COVID-19 pandemic. By design, these are "lender of last resort" exposures to entities with significant liquidity stress.
- **LETL:** Introduced in 2025, this is the newer facility providing liquidity to firms affected by trade tariffs. As at December 31, 2025, this program has a high concentration in strategic industrial sectors such as steel, forestry, and mining.

The Corporation discloses its credit risk concentrations by grouping exposures with shared economic characteristics and determine these concentrations based on:

- **Total Commitment vs. Drawn Amount:** Assessing risk, based on the full capacity of the credit facility. Details of total commitment vs drawn amount is shown in Note 3.

- **Economic Correlation:** Grouping borrowers whose ability to meet obligations is similarly affected by macro-economic factors, for example global trade, political tension across the globe, or travel restrictions.

i. Concentration by Program Stream and Instrument

The portfolio is split between legacy pandemic recovery and new strategic tariff related lending.

- **LEEFF:**
 - **Unsecured Facilities:** The highest risk concentration. These are junior to all other debts and feature "interest rate step-ups" (rates that increase over time) to incentivize early repayment.
 - **Secured Facilities:** Lower risk relative to unsecured tranches but tied to the borrower's existing senior collateral.
 - **Voucher Refund Loans:** A specific sub-concentration for the aviation sector to cover passenger refunds.
- **LETL:**
 - **Strategic Liquidity Loans:** A new concentration activated in 2025 focusing on enterprises impacted by trade tariffs. This stream carries higher "new-entry" risk as it targets industries currently under international trade pressure.

ii. Concentration by Industry Sector

The Corporation's risk is highly sensitive to industry-specific shocks rather than general market fluctuations.

Sector	Concentration Detail	Risk Factor
Aviation & Travel	Traditionally >60% of total portfolio.	Sensitive to global fuel prices and travel demand.
Steel & Manufacturing	Growing concentration due to 2025 LETL mandate.	Sensitive to trade tariffs and US-Canada trade relations.

The Corporation attempts to mitigate this risk by having secured loan facilities.

The Corporation's unsecured loan facilities have been advanced to borrowers with limited borrowing alternatives that are facing challenging financial circumstances. The Corporation issues these loans based on compliance with terms provided to the Corporation by the Minister of Finance. The Corporation does not undertake a full credit assessment of the borrower, nor does it lend money based on the borrower's ability to repay the loan. Instead, the Corporation issues these loans based on a number of other criteria, including the borrower's agreement to make efforts to minimize the loss of employment and to sustain its domestic business activities, as well as the borrower's ability to demonstrate a plan to return to financial stability, or otherwise as directed by the Minister of Finance. The Corporation's credit risk is therefore considered very high, and loans are monitored for indicators of impairment.

The Corporation monitors credit deterioration and impairment assessment through a combination of individual borrower oversight, adherence to conditions established by the Minister of Finance and rigorous adherence to public sector accounting standards. The Corporation's approach involves the following:

i. Monitoring Framework (Identification)

The Corporation looks for "objective evidence" of impairment, such as payment defaults (missed interest or principal payments), financial distress (reviewing the borrower's liquidity, "going concern" status, or significant workforce reductions) and restructuring.

ii. Impairment Reassessment (Accounting)

When credit quality declines, the Corporation adjusts the carrying value of the loans using two primary methods:

- **Effective Interest Rate (EIR) Adjustments:** If a borrower is expected to take longer to repay than originally forecasted, management must re-calculate the present value of the loan. Any "stretch" in the timeline results in an immediate gain or loss on the financial statements.
- **Restructuring and modifications:** In cases of severe deterioration management may agree to write off a portion of the loan that has been determined to be uncollectible based on management's assessment or enter into such other arrangements that are beneficial to the Corporation such as debt-to-equity swaps.

iii. Valuation

Because the Corporation operates as a "lender of last resort," management maintains — or expects to maintain — a substantial allowance for credit losses. Given that its primary objective is to promote economic stability rather than maximize profitability, the Corporation is more inclined than commercial banks to assume elevated credit risk and recognize credit deterioration in order to fulfill its federal mandate.

At each reporting period, the Corporation performs an assessment to determine loan collectability and risk of loss as required by Public Sector Accounting Standard 3050. As of December 31, 2025, management has identified certain loans within the portfolio that, while they have not experienced default or delinquency in interest or principal payments, exhibit potential indicators of impairment.

As a result, provision for losses on loans of \$128,000 has been recognized in the financial statements (December 31, 2024 – \$485,000). Refer to Note 3(d) for further details.

B) MARKET RISK:

Market risk is the risk of financial loss from adverse movements in market prices including interest rates, credit spreads, equity prices, foreign exchange rates, and commodity prices.

CEEFC's secured loans are based on floating reference rates plus an applicable margin as determined by a borrower's existing secured lenders. Applicable margins are predetermined at the time of loan origination; however, fluctuations in interest rates which impact floating reference rates will impact CEEFC's interest income. CEEFC's unsecured loans are based on fixed interest rates and therefore not exposed to fluctuations.

The change in equity prices will affect the value of common shares and warrants held by the Corporation until disposal. Change in the market price will impact the fair value of the outstanding warrants.

Changes in market price will result in unrealized gains or losses recognized in the accumulated remeasurement gains and losses. Given the limited number of equity instruments held and their association with specific borrowers, changes in market conditions may result in significant period-to-period volatility in reported fair values.

CEEFC's operations do not have any exposure to commodity prices. CEEFC has limited exposure to foreign exchange risk since its loans and revenues are principally denominated in Canadian dollars.

C) LIQUIDITY RISK:

Liquidity risk is the risk of having insufficient cash or collateral to meet financial obligations in a timely and cost-effective manner. Liquidity risk arises from mismatched cash flows related to assets and liabilities and the inability to sell marketable securities to generate liquidity in a timely and cost-effective manner.

CEEFC manages its liquidity by issuing preference shares to the Government of Canada as required in accordance with the funding agreement to provide funding for the administration and implementation of the LEEFF Program. CEEFC also holds cash to fund its operations.

D) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Corporation classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy used has the following levels:

- ↗ **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ↗ **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- ↗ **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation methods and assumptions

i. Publicly traded shares:

The fair value of equity investments is based on quoted prices in active markets and has been classified as Level 1.

ii. Warrants:

The Air Transat warrants have been classified as a Level 3 due to the lack of traded options in the market, which resulted in using a significant and unobservable input for the warrant valuation – volatility and discount for lack of marketability (DLOM). The valuation model used to calculate the DLOM is the Finnerty put option pricing model, estimated based on the historical volatility. Historical volatility is considered as a level 3 input in option pricing. The fair value of the Air Transat warrants is valued based on the historical volatility, which was used as a proxy for the underlying asset's option implied volatility.

iii. Preferred shares:

The Preferred Shares have been classified as level 2, as they use inputs other than quoted prices in active markets. They are estimated using a probability-weighted scenario-based approach:

1) Redemption scenario: Where a Bond-plus-Call approach has been applied, where the bond component, representing the minimum fixed payoff, is valued using a discounted cash flow approach, and the option value, representing upside value, is determined using the Black-Scholes-Merton model. Therefore, the value of the Preferred Shares under the Redemption Scenario is the sum of the present value of the minimum fixed payoff and the upside value.

2) Conversion Scenario: Under this scenario, the value of the Preferred Shares is based on the price at which shares of the borrower were trading on the exchange as of the Transaction Date.

The valuation of these instruments involves significant judgment, including the selection of the scenarios and assumptions such as discount rates, expected volatility, and borrower performance. As the preferred shares are not actively traded, changes in these assumptions or in market conditions could result in material changes to their value and to accumulated remeasurement gains and losses.

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred. There were no movements between levels in the fair value hierarchy during the year ended December 31, 2025.

Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value

Assets measured at fair value	December 31, 2025				December 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Preferred shares	\$ -	\$ 9,340	\$ -	\$ 9,340	\$ -	\$ -	\$ -	\$ -
Equity investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Warrants	\$ -	\$ -	\$ 41,254	\$ 41,254	\$ -	\$ -	\$ 7,861	\$ 7,861
	\$ -	\$ 9,340	\$ 41,254	\$ 50,594	\$ -	\$ -	\$ 7,861	\$ 7,861

The following tables reconcile changes in fair value of all assets and liabilities measured at fair value using significant Level 3 unobservable inputs for the years ended December 31, 2025 and December 31, 2024.

Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities

	Fair value as at January 1, 2025	Total Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at December 31, 2025	Change in unrealized gains (losses) on instruments still held
			Additions	Sales/ Cancellations	Into Level 3	Out of Level 3		
Assets measured at fair value								
Warrants	\$ 7,861	\$ 3,015	\$ 30,378	\$ -	\$ -	\$ -	\$ 41,254	\$ 7,157
	\$ 7,861	\$ 3,015	\$ 30,378	\$ -	\$ -	\$ -	\$ 41,254	\$ 7,157

The warrants were revalued on July 10, 2025, in conjunction with the restructuring of the loans of one of the borrowers described in Note 3 as the term of the warrants was extended resulting in an increase in warrants value of \$4.1 million with an offsetting reduction to the loan receivable balance.

	Fair value as at January 1, 2024	Total Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at December 31, 2024	Change in unrealized gains (losses) on instruments still held
			Additions	Sales/ Cancellations	Into Level 3	Out of Level 3		
Assets measured at fair value								
Warrants	\$ 21,939	\$ (14,078)	\$ -	\$ -	\$ -	\$ -	\$ 7,861	\$ (14,078)
	\$ 21,939	\$ (14,078)	\$ -	\$ -	\$ -	\$ -	\$ 7,861	\$ (14,078)

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

	December 31, 2025		December 31, 2024	
	+10% volatility	-10% volatility	+10% volatility	-10% volatility
Assets measured at fair value				
Warrants	\$ 4,729	\$ (5,606)	\$ 1,940	\$ (2,071)
	\$ 4,729	\$ (5,606)	\$ 1,940	\$ (2,071)

The above table summarizes the potential impact of the unobservable inputs used in the warrant fair value estimation ("Sensitivity Testing"): the volatility and discount for lack of marketability (DLOM). To estimate the DLOM, a Finnerty put option model has been used. The only unobservable input in the DLOM estimation is the underlying assets' volatility. Therefore, to conduct the sensitivity testing for the volatilities used in the warrant and DLOM valuation, a shift of +/- 10% has been applied in the unobservable input – the historical volatility of the underlying share.

8. Deferred liability:

The fair value of the unvested warrants on inception is recorded against a deferred liability. The deferred liability is not adjusted for fair value movements and is maintained at the original value until the warrants vest. Warrants vest in proportion to the loans advanced under the unsecured loan facility, or for one borrower, the secured loan facility. As the warrants vest, the deferred liability and the corresponding unvested portion of the warrants are de-recognized. As at December 31, 2025, the carrying value of the deferred liability was \$24,877 (December 31, 2024 – nil).

The following table summarizes the movement of warrants as at December 31, 2025:

DATE	TOTAL NUMBER OF WARRANTS (IN 000'S)	NUMBER OF WARRANTS VESTED (IN 000'S)	NUMBER OF WARRANTS UNVESTED (IN 000'S)
1/1/2025	13,000	13,000	-
11/14/2025	18,415	13,000	5,415
12/17/2025	1,128,840	447,514	681,326

9. Subsequent events:

In Q1, 2026, one of the borrowers' facilities was increased by \$60,000, and an additional \$90,000 was advanced. Another borrower was advanced an additional \$66,400 in an existing credit facility.

On February 13, 2026, one of the borrowers repaid its working capital facilities in the amount of \$30,000.

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