Canada Enterprise Emergency Funding Corporation

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

Second Quarter Report - June 30, 2026

2026 CEEFC SECOND QUARTER INTERIM REPORT

Contents

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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 August 6, 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 June 30, 2026, and its financial performance and cash flows for the three and six months ended June 30, 2026.

[Signed]
Lorraine Audsley
President and Chief Executive Officer
CEEFC

[Signed]
Robert Godbout
Chief Financial Officer
CEEFC

August 6, 2026

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. 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 Program.

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 24-months of liquidity assistance (from 36 month previously), 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, eligibility for the program was expanded for the Canadian steel sector through a reduction in the minimum revenue threshold from $300 million to $150 million, a reduction in the minimum loan size from $60 million to $30 million, lower interest rates and an extension of loan maturities from five to seven years. In September 2025, these enhanced terms were expanded beyond the steel sector to all businesses affected by tariffs.
In April 2026, the Government of Canada further revised the program to increase flexibility and responsiveness, including extending maximum loan maturities to ten years, introducing a more flexible risk-based pricing framework, granting CEEFC broader authority to negotiate and approve loan terms within approved parameters, and introducing updated policy expectations relating to employment, domestic procurement and long-term business sustainability.

LETL is funded through the issuance of preferred shares to the Government of Canada.

As of June 30, 2026, $725 million has been committed and $494 million is outstanding under the LETL Facility, net of fees.

Liquidity for Airline Sector Resilience Facility ("LASR" or "LASR Facility")

On June 8, 2026, the Government of Canada announced the Liquidity for Airline Sector Resilience Facility (LASR Facility), administered through the Canada Enterprise Emergency Funding Corporation (CEEFC). The LASR Facility provides eligible Canadian airlines with access to repayable loan financing of up to $150 million to mitigate the impact of significant operating pressures arising from global jet fuel price volatility.

Recent volatility in global fuel markets has resulted in elevated jet fuel prices, increasing operating costs and creating financial uncertainty across the aviation industry, including in Canada. The LASR Facility is intended to provide timely, targeted, and temporary financial support to assist eligible airlines in managing these exceptional cost pressures, maintaining operations and employment, and preserving a competitive domestic airline industry that supports affordable travel for Canadians.

Key features of the LASR Facility include:

- Access to funding based on an airline's operational and liquidity requirements, with drawdowns linked directly to incremental fuel-cost increases;
- A four-year repayment term, with interest rates set above the Government of Canada's borrowing costs but below prevailing market rates available to affected borrowers; and
- Availability of the program until November 1, 2026.

Financial assistance provided under the LASR Facility is repayable and subject to specified terms and conditions.

Participating airlines are required to comply with a number of binding commitments, including:

- Compliance with ‘Buy Canadian” procurement policy;
- Restrictions on dividend distributions;
- Limits on executive compensation; and
- Commitments to maintain domestic air service levels and support Canadian employment.

On June 29, 2026, , the Corporation issued to CDEV 500 thousand Class C Preferred shares at a price of one thousand dollars per share, totaling $500 million. This was following an authorization by His Majesty in Right of Canada, as represented by the Minister of Finance (“Canada”) that a Funding Agreement be entered into between CDEV and CEEFC to provide funding to CEEFC for the administration and implementation of the LASR Facility; by way of subscription for Class C Preferred shares of the Corporation, on the terms set forth under the Funding Agreement.

As of June 30, 2026, $125 million has been committed and $85 million is outstanding under the LASR Facility, net of fees.

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 preferred shares issued to the Government of Canada in accordance with a funding agreement.

Since the establishment of LETL and more recently LASR, CEEFC has been 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. CEEFC will be funding LETL through preferred shares issued to the Government of Canada in accordance with funding agreements. LASR will be funded by CDEV through the issuance of preferred shares in accordance with the applicable funding agreements. As the funding provided by the Government of Canada is flowed through CDEV, and CDEV is not exposed to any of CEEFC's credit risk or losses associated with the loan, the preferred share financing reflects the substance of CDEV's role as a funding intermediary rather than a risk-bearing investor.

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 2025 was published in July 2026. For further details refer https://cdev.gc.ca/esg/

The Board of CEEFC was appointed by CDEV, in consultation with the Minister of Finance 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 some centralized corporate services such as information technology, payroll services and facilities management, 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 future financial results when sales are made.

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 the Facilities. CEEFC also engaged financial and legal advisors and industry experts 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.

Loans issued and outstanding

Facility type	Amortized Cost Loan Outstanding(1)	Principal Outstanding(2)	Undrawn Commitment(3)
Unsecured	$ 796 million	$ 1,042 million	$ 273 million
Secured	$ 100 million	$ 277 million	-
Voucher	$ 1,380 million	$ 1,383 million	-
Working Capital	$ 30 million	$ 30 million	-
	$ 2,306 million	$ 2,732 million	$ 273 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

In Q2 2026, $100 million was drawn against a $400 million loan facility. As of June 30, 2026, a total of $266 million has been drawn.

On December 17, 2025, a new $115 million loan facility was issued. $45 million was drawn by December 31, 2025. This loan was upsized to $175 million by March 2026 and as of June 30, 2026, this has been fully drawn.

On May 21, 2026, a new $90 million loan facility was issued. As of June 30, 2026, a total of $43 million has been drawn by the borrower.

On June 9, 2026, a $60 million Debtor in Possession (DIP) loan facility was issued to one of the LETL borrowers that filed for CCAA protection. The company had applied for and received an approval to run a Sale and Investment Solicitation Process ("SISP"). CEEFC will fund the operations of the business to facilitate the first phase of the sale process with the $60 million loan facility authorized for the borrower. As of June 30, 2026, $10 million has been drawn.

On June 15, 2026, a $30 million working capital loan (revolving facility) was disbursed to one of the LEEFF borrowers.

On June 30, 2026, a new $125 million loan was committed under the LASR facility. As of June 30, 2026, $85 million has been drawn.

Subsequent to June 30, 2026, the Corporation issued loan commitments under the LETL program totaling $160 million to two new borrowers in the forestry industry. $95 million has been drawn on these facilities to date. Also, two existing borrowers were advanced $125 million and $22 million respectively under the new LASR facility.

Repayment or Restructuring of Loans

In February 2026, a $30 million working capital loan (revolving facility) previously disbursed in August 2025 was fully repaid.

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 geopolitical developments and wider trade-related sentiment towards travel to the United States.

Risks

A substantial amount of credit risk is associated with LEEFF, LETL and LASR 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, as well as the impact of significant financial pressures resulting from elevated jet fuel costs under the LASR 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 term sheets and not on an assessment of the borrower's creditworthiness or otherwise lend as directed by the Minister.

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

Provisions arise when there is some uncertainty in the timing or amount of repayment in the future. On May 1, 2026, a LETL borrower filed for CCAA due to a depletion in liquidity. Accordingly, a total loan loss provision of $171 million has been recognized for the six months ended June 30, 2026. The losses are reported in the Statement of Operations and as a reduction of the loans to borrowers in the Statement of Financial Position.

Financial Statements for the period ended June 30, 2026

The financial statements for the three and six months ended June 30, 2026, 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 three months ended June 30, 2026, was $27 million when compared to $41 million for the same period in 2025. Total revenue for the six months ended June 30, 2026 was $49 million when compared to $61 million for the same period in 2025. The decrease in revenue is mainly due to lower interest income, driven by a decrease in loan interest rates.

The decrease in total expenses in 2026 compared to the same period in 2025 is primarily attributable to a $171 million provision for loan losses recognized during the period compared to $195 million recognized during the same period in 2025.

Cash as at June 30, 2026, was $903 million compared to $456 million as at December 31, 2025. The increase of $447 million in cash balances when the two periods are compared is mainly due to $500 million received from CDEV on June 30, 2026, for the purpose of funding the LASR facility.

Loans to borrowers totaled $2,306 million as at June 30, 2026, compared to $1,995 million as at December 31, 2025. The increase is primarily due to the net movement between disbursement of new loans and the provision charged for the period.

The fair value of the borrower's warrants as at June 30, 2026, was $35 million compared to $41 million on December 31, 2025. The significant decrease is attributed to the loss in value of the warrants of $5.5 million granted by one of the borrowers and decrease in fair value of the existing warrants amounting to $0.5 million.

No dividends were paid to the common or preferred shareholders during the period ended June 30, 2026.

Variances to Budget

Variances between budgeted and actual financial results for the three and six months ended June 30, 2026, reported on the Statement of Operations are discussed below.

Total revenue for the period ended June 30, 2026, was $83 million below budget, primarily due to lower-than-budgeted loan disbursements, resulting in reduced interest income from borrowers.

Total expenses for the period ended June 30, 2026, exceeded budget by $173 million, primarily due to the recognition of a provision for loan losses.

Government contributions were $1,030 million below budget, as a total of $400 million and $500 million were received from Government of Canada and CDEV in Q2 2026 in respect of the LETL and LASR Facilities respectively in comparison to a budgeted amount of $1,930 million for the same period. The decrease relates to lower LETL preference shares subscription.

Interim Condensed Financial Statements of

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Three and six Months Ended June 30, 2026

(Unaudited)

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION
Interim Condensed Statement of Financial Position
(Unaudited)
(Thousands of Canadian Dollars)

		June 30, 2026		December 31, 2025
Financial Assets				
Cash	$	**903,756**	$	456,261
Interest and other receivables		**98**		722
Loans to borrowers (Note 3)		**2,306,399**		1,994,685
Derivative (Note 4)		**14,050**		17,400
Preferred Shares (Note 4)		**8,675**		9,340
Warrants (Note 4)		**35,217**		41,254
		3,268,195		2,519,662
Financial Liabilities				
Trade payables		**3,917**		611
Deferred liability (Note 8)		**8,703**		24,877
Due to shareholder (Note 5)		**2,162**		984
		14,782		26,472
Net Financial Assets and Accumulated Surplus (Note 6)		**3,253,413**		2,493,190
Accumulated surplus is comprised of:				
Accumulated surplus from operations		**3,287,103**		2,512,768
Accumulated remeasurement losses		**(33,690)**		(19,578)
	$	**3,253,413**	$	2,493,190

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

On behalf of the Board: [Signed] Director [Signed] Director

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION
Interim Condensed Statement of Operations
(Unaudited)
(Thousands of Canadian Dollars)

	Three months ended June 30			Six months ended June 30		
	2026		2025	2026		2025
	Budget [1]	Actual	Actual	Budget	Actual	Actual
Revenue						
Interest income – loans	$ 78,202	$ **25,267**	$ 39,210	129,012	$ **45,710**	$ 57,498
Interest income – bank	2,024	**1,287**	2,139	3,994	**3,483**	3,967
	80,226	**26,554**	41,349	133,006	**49,193**	61,465
Expenses						
Professional fees	498	**762**	274	993	**1,293**	464
Management fees (Note 5)	294	**698**	226	588	**1,292**	452
Salaries and benefits	136	**508**	59	271	**830**	114
Provision for losses on loans (Note 3)	-	**31,000**	195,000	-	**171,000**	195,000
Other	1	**443**	1	2	**443**	1
	929	**33,411**	195,560	1,854	**174,858**	196,031
(Deficit) surplus before government contribution	79,297	**(6,857)**	(154,211)	131,152	**(125,665)**	(134,566)
Government contribution (repayment) (note 6)	715,000	**900,000**	-	1,930,000	**900,000**	-
(Deficit) surplus for the period	794,297	**893,143**	(154,211)	2,061,152	**774,335**	(134,566)
Accumulated surplus from operations, beginning of period	3,938,735	**2,393,960**	2,255,456	2,671,880	**2,512,768**	2,235,811
Accumulated surplus from operations, end of period	$ 4,733,032	$ **3,287,103**	$ 2,101,245	4,733,032	**3,287,103**	2,101,245

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

[1] The 2026 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 2026 projections and estimates contained within the 2026 to 2030 Corporate Plan.

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION
Interim Condensed Statement of Remeasurement Gains and Losses
(Unaudited)
(Thousands of Canadian Dollars)

		Three months ended June 30			Six months ended June 30	
		2026		2025	2026	2025
Accumulated remeasurement losses, beginning of period	$	**(18,454)**	$	(24,702)	**(19,578)**	(21,469)
Remeasurement gains (losses) arising during the period						
Unrealized gains (losses) on Preferred shares		**(332)**		-	**(664)**	-
Unrealized gains (losses) on warrants		**(12,354)**		8,408	**(10,098)**	5,175
Unrealized gains (losses) on derivatives		**(2,550)**		-	**(3,350)**	-
Net remeasurement gains (losses) for the period		**(15,236)**		8,408	**(14,112)**	5,175
Accumulated remeasurement gains (losses), end of period	$	**(33,690)**	$	(16,294)	**(33,690)**	(16,294)

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

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION
Interim Condensed Statement of Change in Net Financial Assets
(Unaudited)
(Thousands of Canadian Dollars)

	Three months ended June 30			Six months ended June 30		
		2026	2025		2026	2025
	Budget	Actual	Actual	Budget	Actual	Actual
(Deficit) surplus for the period	$ 794,297	$ **893,143**	$ (154,211)	2,061,152	**774,335**	(134,566)
Net remeasurement gains (losses) for the period	-	**(15,236)**	8,408	-	**(14,112)**	5,175
Increase (decrease) in financial assets	794,297	**877,907**	(145,803)	2,061,152	**760,223**	(129,391)
Net financial assets, beginning of period	3,938,735	**2,375,506**	2,230,754	2,671,880	**2,493,190**	2,214,342
Net financial assets, end of period	$ 4,733,032	$ **3,253,413**	$ 2,084,951	4,733,032	**3,253,413**	2,084,951

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

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION
Interim Condensed Statement of Cash Flow
(Unaudited)
(Thousands of Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Operating activities:				
(Deficit) surplus for the period	$ **893,143**	$ (154,211)	**774,335**	(134,566)
Adjustments for non-cash items:				
Interest income – loans (Note 3)	**(25,267)**	(39,210)	**(45,710)**	(57,498)
Provision for losses on loans (Note 3)	**31,000**	195,000	**171,000**	195,000
Loan interest and fees received in cash (Note 3)	**4,694**	15,419	**9,590**	33,272
	903,570	16,998	**909,215**	36,208
Change in non-cash working capital:				
Interest and other receivables	**704**	(428)	**624**	334
Due to shareholder	**511**	45	**1,178**	41
Trade payables	**2,781**	536	**3,308**	156
	3,996	153	**5,110**	531
Change in cash (used in) provided by operating activities	**907,566**	17,151	**914,325**	36,739
Investing activities:				
Loans to borrowers, net of fees and recoverable expenses	**(283,380)**	-	**(496,830)**	-
Principal repayment of loans from borrowers	**-**	-	**30,000**	42,557
Change in cash (used in) provided by investing activities	**(283,380)**	-	**(466,830)**	42,557
Cash, beginning of period	**279,570**	313,060	**456,261**	250,915
Cash, end of period	$ **903,756**	$ 330,211	**903,756**	330,211

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" or "LETL Facility")

On March 23, 2025, a Directive under section 89(1) of the Financial Administration Act (FAA) 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. On the same day, CDEV was also issued a subsequent 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 (P.C. 2025-0457) 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 (P.C. 2025-0455) 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 July 2025, eligibility for the program was expanded for the Canadian steel sector through a reduction in the minimum revenue threshold from $300 million to $150 million, a reduction in the minimum loan size from $60 million to $30 million, lower interest rates and an extension of loan maturities from five to seven years. In September 2025, these enhanced terms were expanded beyond the steel sector to all businesses affected by tariffs to help firms in all sectors impacted by tariffs adapt, diversify, and grow.

1. Reporting entity (Continued):

In April 2026, the Government of Canada further revised the program to cover eligible applicant's 24 month liquidity shortfall (from 36 month previously) by increase flexibility and responsiveness, including extending maximum loan maturities to ten years, introducing a more flexible risk-based pricing framework, granting CEEFC broader authority to negotiate and approve loan terms within approved parameters, and introducing updated policy expectations relating to employment, domestic procurement and long-term business sustainability.

The intent of the LETL Facility is to provide financing to cover an eligible applicant's 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.

Liquidity for Airline Sector Resilience Facility ("LASR" or "LASR Facility")

On June 8, 2026, the Government of Canada announced the Liquidity for Airline Sector Resilience Facility (LASR Facility), administered through the Canada Enterprise Emergency Funding Corporation (CEEFC). The LASR Facility provides eligible Canadian airlines with access to repayable loan financing of up to $150 million to mitigate the impact of significant operating pressures arising from global jet fuel price volatility.

Recent volatility in global fuel markets has resulted in elevated jet fuel prices, increasing operating costs and creating financial uncertainty across the aviation industry, including in Canada. The LASR Facility is intended to provide timely, targeted, and temporary financial support to assist eligible airlines in managing these exceptional cost pressures, maintaining operations and employment, and preserving a competitive domestic airline industry that supports affordable travel for Canadians.

Key features of the LASR Facility include:

- Access to funding based on an airline's operational and liquidity requirements, with drawdowns linked directly to incremental fuel-cost increases;
- A four-year repayment term, with interest rates set above the Government of Canada's borrowing costs but below prevailing market rates available to affected borrowers; and
- Availability of the program until November 1, 2026.

Financial assistance provided under the LASR Facility is repayable and subject to specified terms and conditions.

Participating airlines are required to comply with a number of binding commitments, including:

- Compliance with 'Buy Canadian" procurement policy;
- Restrictions on dividend distributions;
- Limits on executive compensation; and
- Commitments to maintain domestic air service levels and support Canadian employment.

As of June 30, 2026, $125 million has been committed and $85 million has been disbursed.

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 Program, LETL and LASR Facility 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.

2. Significant accounting policies (continued):

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 Preferred shares issued to both the Government of Canada and CDEV. Both the common and Preferred 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 Preferred shares at a price of one thousand dollars per Preferred share, together with all declared but unpaid dividends. The aggregate proceeds from Preferred shares issued 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 levels 2 and 3. The evolving global trade environment, on-going conflict in the middle east, 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, Preferred shares, and warrants in Canadian publicly traded companies.

(i) Common and Preferred 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

2. Significant accounting policies (continued):

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.

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 plans to implement both PS 1202 and the new conceptual framework effective January 1, 2027. The implementation is not expected to have a significant impact on the financial statements of the Corporation.

3. Loans to borrowers:

The Corporation issued loans under the LEEFF Program, LETL and LASR 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.

3. Loans to borrowers (continued):

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 **3.**

3. Loans to borrowers (continued):

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:

On April 22, 2026, the terms and conditions of the Large Enterprise Tariff Loan ("LETL") facility were revised by the Minister of Finance.

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 have considered all other sources of capital and not have made any filing for relief or protection under the Companies Creditors' Arrangement Act or any other bankruptcy or insolvency legislation.

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

3. Loans to borrowers (continued):

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, secured and unsecured loans. The loan interest is charged based on the terms and conditions of the loan agreements with the borrower, and the term of the loan facility should not exceed ten years from the closing date.

Loan interest rates should at no time be less than Canada's cost of capital plus 25 bps.

CEEFC shall have broad discretion to structure the interest rate to escalate over the term of the loan to incentivise early repayment of the principal, if appropriate. 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.

Equity positions and/or via warrants (holding at no time more than a 20% voting interest in any entity) may be used as an upside mechanism.

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.

(c) Liquidity for Airline Sector Resilience Facility:

To be eligible for, and continue to access, borrowings under the repayable liquidity facility, an applicant must:

- Be a commercial entity incorporated or otherwise organized under the federal laws of Canada or the laws of a Canadian province or territory;
- Be engaged in the commercial operation of aircraft providing passenger air transportation services;
- Not have filed for protection under the Companies' Creditors Arrangement Act (Canada) or any other applicable bankruptcy or insolvency legislation, nor be subject to any insolvency or bankruptcy proceedings, unless such proceedings were completed, vacated, or indefinitely stayed before December 31, 2025; and
- Demonstrate a minimum available seat-kilometer capacity of 70 million, as reported to Transport Canada as at December 31, 2025.

In addition, borrowers utilizing the facility, which provides up to $150 million of liquidity support on an as-needed basis, are required to comply with certain covenants throughout the term of the loan. These covenants include restrictions on dividend distributions and executive compensation, as well as commitments to maintain Canadian operations, preserve domestic employment levels, and comply with "Buy Canadian" procurement requirements.

The following table provides a breakdown of the loan facilities.

LEEFF Program	June 30, 2026	December 31, 2025
Number of borrowers	4	4
Loan commitment[1]		
Unsecured loan facilities	$ 732,904	$ 727,882
Secured loan facilities	-	-
Working capital facilities	30,000	30,000
Airline voucher refund facilities	1,382,980	1,382,980
	$ 2,145,884	$ 2,140,862
Principal outstanding[2]		
Unsecured loan facilities	$ 732,904	$ 727,882
Secured loan facilities	-	-
Working capital facilities	30,000	30,000
Airline voucher refund facilities	1,382,980	1,382,980
	$ 2,145,884	$ 2,140,862
Amortized cost loan balance[3]		
Unsecured loan facilities	$ 498,901	$ 475,631
Secured loan facilities	-	-
Working capital facilities	30,083	30,016
Airline voucher refund facilities	1,379,977	1,379,790
	$ 1,908,961	$ 1,885,437

LETL Facility	June 30, 2026	December 31, 2025
Number of borrowers	3	2
Loan commitment[1]		
Unsecured loan facilities	$ 381,953	$ 320,000
Secured loan facilities	349,947	195,318
	$ 731,900	$ 515,318
Principal outstanding[2]		
Unsecured loan facilities	$ 224,294	$ -
Secured loan facilities	276,673	111,718
	$ 500,967	$ 111,718
Amortized cost loan balance[3]		
Unsecured loan facilities	$ 212,810	$ -
Secured loan facilities	99,940	109,248
	$ 312,750	$ 109,248

3. Loans to borrowers (continued):

LASR Facility		June 30, 2026		December 31, 2025
Number of borrowers		1		-
Loan commitment[1]				
Unsecured loan facilities	$	125,009	$	-
Secured loan facilities		-		-
	$	125,009	$	-
Principal outstanding[2]				
Unsecured loan facilities	$	85,009	$	-
Secured loan facilities		-		-
	$	85,009	$	-
Amortized cost loan balance[3]				
Unsecured loan facilities	$	84,688	$	-
Secured loan facilities		-		-
	$	84,688	$	-

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

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

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

3. Loans to borrowers (continued):

As at June 30, 2026, the Principal Outstanding includes interest added to the principal through a “Pay In Kind” mechanism of $71,686 (December 31, 2025 - $58,799).

For the three and six months ended June 30, 2026, the amount of interest income recognized in the Statement of Operations was $25,267 (June 30, 2025 - $39,210) and $45,710 (June 30, 2025 - $57,498). Based on the terms of the loan agreements, the amount of interest and fees collected from borrowers in cash during the same period was $4,694 (June 30, 2025 - $15,419) and $9,590 (June 30, 2025 – $33,272) respectively.

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

2026	10,105
2027	-
2028	1,382,981
2029	6,672
2030	382,881
2031	1,277,502
2032 & beyond	36,776
	3,096,917

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.

On May 1, 2026, a LETL borrower filed for CCAA due to a depletion in liquidity. Accordingly, a total loan loss provision of $171,000 has been recognized for the six months ended June 30, 2026. The losses are reported in the Statement of Operations and as a reduction of the loans to borrowers in the Statement of Financial Position.

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.

3. Loans to borrowers (continued):

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:

For the three months ended June 30, 2026, there have been no repayments of loans recorded. For the six months ended June 2026, a total of $30,000 was repaid on a revolving loan facility by one of the borrowers (June 30, 2025 - $42,557).

4. Equity investments:

Equity investments include the following:

a) 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 June 30, 2026 amounted to $26,506 and $8,711 respectively (December 31, 2025 – $17,280 and $23,974).

4. Equity investments (continued):

The following table summarizes the vested and unvested warrants as at June 30, 2026.

Vested Warrants

		June 30, 2026					December 31, 2025			
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)*
4.500000	April 2035	13,000	2.530000	1.113300	14,473		13,000	2.530000	1.163000	15,114
0.010000	December 2035	1,655,479	0.010000	0.000000	-		434,514	0.010000	0.005000	2,166
11.080000	December 2035	3,141	5.650000	3.830800	12,033		–	5.650000	3.810000	–
					26,506					**17,280**

Unvested Warrants

		June 30, 2026					December 31, 2025			
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)*
4.500000	April 2035	-	2.530000	1.113300	-		–	2.530000	1.163000	–
0.010000	December 2035	-	0.010000	0.000000	-		675,911	0.010000	0.005000	3,369
11.080000	December 2035	2,274	5.650000	3.830800	8,711		5,415	5.650000	3.810000	20,605
					8,711					**23,974**

4. Equity investments (continued):

b) Preferred shares:

On July 10, 2025, the existing borrowers 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, 2025, 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 June 30, 2026, were valued at $8,675 (December 31, 2025 - $9,340)

The following table summarizes the Preferred Shares balances as at June 30, 2026

June 30, 2026					December 31, 2025			
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	2.3497	2.3497	8,675		3,692	$2.5300	$2.5300	$9,340

c) 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. As at June 30, 2026, these have been fair value assessed at $14,050 (December 31, 2025 - $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 three and six months ended June 30, 2026, CDEV provided management services to the Corporation, related to executives, administration, banking, financial, and support services, in respect of which it billed $578 (June 30, 2025 - $226) and $1,172 (June 30, 2025 - $452). 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 June 30, 2026, was $2,162 (December 31, 2025 - $984).

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

5. Transactions with related parties (continued):

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

	Three months ended June 30	
	2026	2025
Director fees and expenses	$ 61	$ 59
Other expenses	87	1
	$ 148	$ 60

	Six months ended June 30	
	2026	2025
Director fees and expenses	$ 119	$ 114
Other expenses	101	1
	$ 220	$ 115

On June 29, 2026, the Corporation issued to CDEV 500 thousand Class C Preferred shares at a price of one thousand dollars per share, totaling $500 million. This was following an authorization by His Majesty in Right of Canada, as represented by the Minister of Finance ("Canada") that a Funding Agreement be entered into between CDEV and CEEFC to provide funding to CEEFC for the administration and implementation of the LASR Facility; by way of subscription for Class C Preferred shares of the Corporation, on the terms set forth under the Funding Agreement.

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 June 30, 2026 (December 31, 2025 – nil).

As at June 30, 2026, the Corporation had 1 issued and fully paid common share (December 31, 2025 – one thousand dollars) at a price of one thousand dollars issued to CDEV.

b) Preferred 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 Preferred shares ("Preferred 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.

6. Accumulated surplus (continued):

The holders of the Preferred 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 Preferred shares, in priority to the holders of the common shares and any other shares ranking junior to the Preferred 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 Preferred 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 Preferred shares at a price of one thousand dollars per Preferred share, together with all declared but unpaid dividends.

The aggregate proceeds from Preferred 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 the three and six months ended June 30, 2026, there were no redemptions by the Corporation.

LETL Facility:

On March 21, 2025, CEEFC entered into a funding agreement with the Government of Canada under the LETL Facility. 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, 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 Facility; by way of subscription for Class B Preferred 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 Preferred shares at a price of one thousand dollars per Class B Preferred share, together with all declared but unpaid dividends.

The aggregate proceeds from Preferred 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 the three and six months ended June 30, 2026, there were no redemptions by the Corporation.

6. Accumulated surplus (continued):

LASR Facility:

On June 8, 2026, the Government of Canada announced the Liquidity for Airline Sector Resilience Facility (LASR Facility), requested the Canada Development Investment Corporation (CDEV) to support the government in administering the facility through the Canada Enterprise Emergency Funding Corporation (CEEFC).

His Majesty in Right of Canada, as represented by the Minister of Finance ("Canada") has authorized that a Funding Agreement be entered into between CDEV and CEEFC to provide funding to CEEFC for the administration and implementation of the LASR Facility; by way of subscription for Class C Preferred 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 Preferred shares at a price of one thousand dollars per Class C Preferred share, together with all declared but unpaid dividends.

The aggregate proceeds from Preferred shares issued to CDEV 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 the three and six months ended June 30, 2026, there were no redemptions by the Corporation.

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

	June 30, 2026		December 31, 2025	
	Number of shares (in 000's)	Amount	Number of shares (in 000's)	Amount
Balance, beginning of year	2,517	$ 2,517,000	2,217	$ 2,217,000
Shares issued	900	900,000	300	300,000
Shares redeemed	-	-	-	-
Balance, end of year	3,417	$ 3,417,000	2,517	$ 2,517,000

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.

7. Financial risk management (continued):

The Corporation's credit risk is primarily concentrated in three 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 June 30, 2026, this program has a high concentration in strategic industrial sectors such as steel and mining.

- **LASR:** Introduced in 2026, this is the newest facility providing liquidity to Canadian airlines experiencing significant pressure resulting from elevated jet fuel costs.

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 are 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.

7. Financial risk management (continued):

- **LASR:**
  - Strategic Liquidity Loans: A new concentration activated in 2026 focused on supporting eligible Canadian airlines experiencing significant financial pressures resulting from elevated jet fuel costs with up to $150 million in repayable liquidity.

(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 >80% of total portfolio.	Sensitive to global jet fuel prices and travel demand.
Steel & Manufacturing	Growing concentration due to 2025 LETL mandate.	Sensitive to trade tariffs and US-Canada trade relations.
Mining	Growing concentration due to 2025 LETL mandate.	Sensitive to trade tariffs, US-Canada trade relations and the on-going conflict in the Middle East.

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. 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:

7. Financial risk management (continued):

- 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 June 30, 2026, 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.

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 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.

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.

7. Financial risk management (continued):

CEEFC manages its liquidity by issuing Preferred shares to the Government of Canada as required in accordance with the funding agreement to provide funding for the administration and implementation of the facilities. 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 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 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

7. Financial risk management (continued):

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 occurred. There were no movements between levels in the fair value hierarchy during the period ended June 30, 2026.

Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value

	June 30, 2026				December 31, 2025			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Preferred shares	$ –	$ 8,675	$ -	$ 8,675	$ –	$ 9,340	$ –	$ 9,340
Warrants	$ –	$ –	$ 35,217	$ 35,217	$ –	$ –	$ 41,254	$ 41,254
Derivatives	$ –	$ –	$ 14,050	$ 14,050	$ –	$ –	$ 17,400	$ 17,400
	$ –	$ 8,675	$ 49,267	$ 57,942	$	$ 9,340	$ 58,654	$ 67,994

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 period ended June 30, 2026 and December 31, 2025.

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

	Fair value as at April 1, 2026	Total Remeasurement Gains (Losses) arising during the period	Movements: Additions/Modifications	Movements: Sales/ Cancellations	Transfers: Into Level 3	Transfers: Out of Level 3	Fair value as at June 30, 2026	Change in unrealized gains (losses) on instruments still held
Assets measured at fair value								
Warrants	$ 46,646	$ (12,354)	$ 925	$ –	$ –	$ –	$ 35,217	$ (12,354)
	$ 46,646	$ (12,354)	$ 925	$ –	$ –	$ –	$ 35,217	$ (12,354)

7. Financial risk management (continued):

	Fair value as at April 1, 2025	Total Remeasurement Gains (Losses) arising during the period	Movements: Additions	Movements: Sales/ Cancellations		Transfers: Into Level 3	Transfers: Out of Level 3	Fair value as at June 30, 2025	Change in unrealized gains (losses) on instruments still held
Assets measured at fair value									
Warrants	$ 4,628	$ 8,408	$ -	$ –		$ –	$ –	$ 13,036	$ 8,408
	$ 4,628	$ 8,408	$ -	$ –		$ –	$ –	$ 13,036	$ 8,408

	Fair value as at January 1, 2026	Total Remeasurement Gains (Losses) arising during the period	Movements: Additions/Modifications	Movements: Sales/ Cancellations		Transfers: Into Level 3	Transfers: Out of Level 3	Fair value as at June 30, 2026	Change in unrealized gains (losses) on instruments still held
Assets measured at fair value									
Warrants	$ 41,254	$ (10,098)	$ 4,061	$ –		$ –	$	$ 35,217	$ (10,098)
	$ 41,254	$ (10,098)	$ 4,061	$ –		$ –	$	$ 35,217	$ (10,098)

	Fair value as at January 1, 2025	Total Remeasurement Gains (Losses) arising during the period	Movements: Additions	Movements: Sales/ Cancellations		Transfers: Into Level 3	Transfers: Out of Level 3	Fair value as at June 30, 2025	Change in unrealized gains (losses) on instruments still held
Assets measured at fair value									
Warrants	$ 7,861	$ 5,175	$ -	$ –		$ –	$ –	$ 13,036	$ 5,175
	$ 7,861	$ 5,175	$ -	$ –		$ –	$ –	$ 13,036	$ 5,175

The following 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.

7. Financial risk management (continued):

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.

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

	June 30, 2026		December 31, 2025	
	+10% volatility	-10% volatility	+10% volatility	-10% volatility
Assets measured at fair value				
Warrants	$ 5,606	$ (4,183)	$ 4,729	$ (5,606)
	$ 5,606	$ (4,183)	$ 4,729	$ (5,606)

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 June 30, 2026, the carrying value of the deferred liability was $8,703 (December 31, 2025 – $24,877).

The following table summarizes the movement of warrants as at June 30, 2026

Date	Total number of warrants (in 000's)	Number of warrants vested (in 000's)	Number of warrants unvested (in 000's)
1/1/2026	1,128,840	447,514	681,326
6/30/2026	1,673,894	1,671,620	2,274

9. Subsequent events:

Subsequent to June 30, 2026, the Corporation issued loan commitments under the LETL program totaling $160 million to two new borrowers in the forestry industry. $95 million has been drawn on these facilities to date.

Also, two existing borrowers were advanced $125 million and $22 million respectively under the new LASR facility.