



2025

annual report



Yukon Energy 2025 Annual Report

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table of contents

- 3** Who We Are
- 4** Message to Yukoners
- 6** President's Welcome
- 8** 2025 at a Glance
- 10** 2025 to 2030 Strategic Priorities
- 11** 2025 Corporate Goals and Performance
- 18** Management Discussion and Analysis
- 21** Financial Statements



📷 Substation at the Mayo Hydro Facility. *Peter Mather*

who we are

Established in 1987, Yukon Energy is a publicly owned electrical utility. We are the main generator and transmitter of electrical energy in the Yukon. We work with our parent company, Yukon Development Corporation, to provide Yukoners with reliable and renewable electricity.

There are more than 24,000 electricity consumers in the territory. Yukon Energy directly serves over 2,700 of these customers, most of whom live in and around Dawson, Mayo and Faro. Yukon Energy also sells directly to industrial customers. Indirectly, we provide power to most other Yukon communities through ATCO Electric Yukon. ATCO buys wholesale power from us and sells it to the remaining 21,000 customers in the territory.

Based on a 25-year average, over 90 per cent of the electricity we produce is renewable, coming from our Whitehorse, Aishihik and Mayo hydropower facilities. In addition, we use LNG and diesel to ensure dependable electricity is available in the winter, during emergencies and when renewable sources of electricity are not available.

Our headquarters are located at the Whitehorse Hydro Facility with operations in Dawson, Faro and Mayo.

We acknowledge that our office and facilities are located on the traditional territories of Yukon First Nations who have occupied this land since time immemorial.



our vision

Our vision is a resilient and renewable energy future for all Yukoners.

our mission

To lead the transition to a more reliable, robust and renewable electricity system that meets the demands of tomorrow while safeguarding the energy needs of today.

our values

We are safe.

We are accountable.

We collaborate.

We are respectful and inclusive.

We innovate.

We care about the environment.

We support reconciliation.

message to Yukoners

As Chair of the Board, I am pleased to share this year's annual report and reflect on an important year for Yukon Energy. In 2025, we took a significant step forward with the launch of our Road Map to 2050 and Chapter 1: A Reliable and Robust Grid, our new five-year strategic plan. Together, these strategies set a clear direction for how we will meet the territory's evolving electricity needs while maintaining our commitment to safety, reliability and collaboration with First Nations.

This past year underscored the growing importance of ensuring the Yukon has sufficient dependable winter power, available when it is needed most. In December, we experienced extreme cold temperatures and a record peak demand¹, highlighting the combined impacts of increasing electrification, population growth and economic activity. These conditions reinforced the urgency of planning for the future – ensuring our electricity system remains resilient, adaptable and capable of supporting Yukoners for decades to come. They also emphasized the need to add new sources of firm winter power in the near term, while continuing to plan and advance renewable winter power solutions for the future.

Building partnerships was a central theme in 2025. We strengthened relationships with First Nations, territorial and federal governments, communities and industry, recognizing that the path ahead requires a mutual understanding of our respective roles and contributions to achieving shared success. These partnerships are essential as we pursue opportunities to expand and modernize our electricity system.

It was also a year of difficult but necessary decisions. Aging infrastructure and the need to invest more than \$350 million in the power system over the next three years highlighted the scale of the challenge ahead. While we actively pursued grant funding to help offset costs, we could not delay the work required to maintain a safe, reliable and resilient electricity system. This included submitting our 2025–27 General Rate Application, which asked for a 34 per cent rate increase spread over three years.

We also took important steps to enhance public awareness and safety, including launching a winter campaign highlighting the challenges and opportunities facing our electricity system, as well as a public safety campaign focused on safe recreation near our hydro facilities.

In addition, we were pleased to receive a new 20-year water use licence for the Whitehorse Hydro Facility. This milestone reflects strong collaboration with First Nations and supports the continued operation of one of our key renewable generation assets.



This past year underscored the growing importance of ensuring the Yukon has sufficient dependable winter power available when it is needed most.”

Behind these achievements is a tremendous amount of work that often goes unseen. From planning and regulatory efforts to operations and maintenance, our employees have demonstrated unwavering dedication and professionalism. On behalf of the Board, I extend my sincere thanks to all Yukon Energy employees for their hard work, expertise and commitment to serving Yukoners.

As we look ahead, we do so with confidence and a strong sense of purpose. The foundation we have built this year positions us well for the journey ahead.

Thank you.

A handwritten signature in black ink, appearing to read 'Rod Savoie'.

Rod Savoie

Chair, Yukon Energy Corporation Board of Directors

¹ Peak demand is the maximum electricity load on the power system at a given time.

2025 Board of Directors

Rod Savoie, Chair

Christina Thomas, Vice Chair

Paul Burbidge

Gayle Corry

Joseph Fred

Carlene Hajash

Matt Hall

Doug Janzen

Guy Morgan

Frédérique Prince

Rod Snow

Susan Tulloch

Charlotte Mitha, Board Advisor

president's welcome

While I joined Yukon Energy toward the end of 2025, it is remarkable to look back and see the scale and depth of work accomplished throughout the year. At the same time that I stepped into this role, our team supported a transition to a new territorial government, all while undertaking an unprecedented volume of work across every aspect of our business. The commitment our employees demonstrated while maintaining a fast pace and delivering complex work reflects the strength of our corporation.

Among the year's many milestones, Yukon Energy launched its new Road Map to 2050, setting a long-term vision for how we will meet the territory's evolving power needs. We also introduced a new five-year strategic plan and submitted our General Rate Application for 2025–27. Together, these initiatives ensure we are planning responsibly, investing wisely and positioning Yukon Energy to serve Yukoners well into the future.

The urgency of this work was underscored in December 2025, when the Yukon reached a new record peak demand of 127 megawatts. During this period, our system operated at more than 90 per cent of its total capacity – an unnerving reality that highlighted the pressure on our infrastructure. Through careful coordination, system expertise and the implementation of our mutual aid process, we were able to meet demand and avoid rotating power outages. I would like to thank the mines and Yukoners who responded to our request to shift their electricity use to off-peak periods. Their efforts helped reduce demand, with Yukoners alone contributing a three-to-five megawatt reduction during peak times. I would also like to acknowledge ATCO Electric Yukon, whose team brought their standby diesel generators online to increase available supply. This moment truly underscored both the resilience of our system and the challenges we now face during extreme winter conditions.

 Mayo Hydro Facility. *Peter Mather*





It is remarkable to look back and see the scale and depth of work accomplished throughout the year.”

Earlier in the year, we also faced complex operating conditions. A late snowmelt, driven by unseasonably cool weather, resulted in the latest recorded refill of Marsh Lake – after June 5. This delayed inflow, along with low water conditions in the Aishihik reservoir, resulted in less available hydro generation and required greater reliance on thermal resources, including LNG and diesel in 2025. It reinforced the reality of a changing climate and the growing importance of energy security for the Yukon.

Collaboration remains central to our success. Over the past year, we strengthened relationships with First Nations and other partners through project engagement and dedicated working groups, fostering shared problem-solving and supporting better environmental and socio-economic outcomes.

Significant effort was dedicated to the relicensing of the Whitehorse Hydro Facility. Securing a new 20-year water use licence was a major achievement, reflecting years of technical, environmental and regulatory work. We appreciate the time, knowledge and technical expertise that First Nations contributed throughout ongoing discussions related to the relicensing. The licence includes robust monitoring and adaptive management measures to ensure responsible operation and protect the surrounding environment. Yukon Energy looks forward to working in collaboration with Kwanlin Dün First Nation, Ta’an Kwäch’än Council and Carcross/Tagish First Nation to improve outcomes at the facility in the years ahead.

Significant efforts also went into advancing the relicensing of the Mayo Hydro Facility in 2025. At the same time, we advanced key infrastructure initiatives, including the planning phase of the Whitehorse power centres – a project critical to meeting future winter demand reliably. In Dawson, we completed the voltage conversion project, improving service quality for the community. We also initiated the

Mayo slope stabilization and surge chamber replacement upgrade and advanced the assessment of design options to replace the Wareham Dam Spillway to help ensure the long-term reliability of the Mayo Hydro Facility.

Beyond major projects, our teams remained deeply engaged with Yukoners and the communities we serve. We hosted community meetings and open houses in Whitehorse, Dawson, Faro and Mayo, participated in local events, and supported customers across the territory. We recognize that the transition to a new customer billing system continues to present some challenges, and our customer service team is working diligently to support customers throughout the process. We appreciate our customers’ patience and feedback as we address issues, refine processes and work to improve the overall billing experience. Our crews were also hard at work maintaining thousands of kilometres of power lines and poles and operating our thermal and hydro generators – often in demanding conditions. This work is fundamental to keeping the lights on across the Yukon.

Overall, the momentum of this past year was extraordinary. It reflects both the scale of the challenges before us and the dedication of our people. I am incredibly proud to work alongside such a talented, dedicated and passionate team whose expertise and commitment make our success possible. As we look ahead, I am optimistic about what the future holds. With a clear strategic direction and a strong foundation, Yukon Energy is well positioned to continue improving reliability and delivering on our commitment to Yukoners.

Joe MacGillivray
President and CEO, Yukon Energy Corporation

2025 at a glance

our commitment to environmental, social and governance matters

The Environmental, Social and Governance Board Committee assists the Yukon Energy Board of Directors in providing oversight of Yukon Energy's sustainability program as well as environmental and social matters in such a way that fulfills Yukon Energy's purpose and is in compliance with Yukon Energy's policies, standards and legal and regulatory obligations.

Ultimately, the committee's goal is to create value for the corporation and for the Yukon. Tracking key metrics is critical to measuring and creating this value.

environment



73% renewable generation in 2025²

6 reportable spills³

94.1 kilotonnes cumulative greenhouse gas emissions (including fleet)

112,041 salmon fry⁴ released

social



\$112,933 donated to community organizations

Over 35 community organizations and events supported

16 facility tours for educational groups

5 scholarships granted

operational



127 megawatts peak demand⁵

515 gigawatt hours of electricity generated

152 megawatts of system capacity⁶

154 megawatts of dependable capacity in the winter, including rental diesel generators⁷

18 controllable outages

953,600 kilometres driven by Yukon Energy staff

² In 2025, there was low water in the Aishihik hydro reservoir and a slow refill of the Marsh Lake basin, resulting in less hydrogeneration.

³ Non-reportable spills are still recorded internally and investigated.

⁴ Juvenile chinook.

⁵ Yukon grid peak demand. Observed on December 23, 2025. Includes residential and commercial customers.

⁶ Based on the total hydro grid installed capacity, including ATCO Electric Yukon grid-connected standby diesel generation. Does not include diesel rentals, Independent Power Producers, and thermal replacements in Whitehorse, which were not available in 2025 (units WD8 and WD9), the battery energy storage system, and demand-side management capacity.

⁷ Based on winter dependable capacity, including ATCO Electric Yukon grid-connected standby diesel generation. Does not include Independent Power Producers, thermal replacements in Whitehorse, which were not available in 2025 (units WD8 and WD9), the battery energy storage system and demand-side management capacity. Without diesel rentals, total dependable capacity is 120 megawatts.



Wareham Dam Spillway at the Mayo Hydro Facility. Peter Mather

2025 to 2030 strategic priorities

In 2025, we released a new five-year strategic plan, Chapter 1: A Reliable and Robust Grid, alongside our Road Map to 2050. The strategic plan was developed in the context of growing electricity demand, a need for system modernization and innovation, evolving regulatory and governance landscapes, and aging infrastructure. The strategic priorities outlined in Chapter 1: A Reliable and Robust Grid provide a strong foundation for the next five years.

strategic priorities

- 1 Be an industry leader in safe work practices

- 2 Invest in people and technology

- 3 Ensure an adequate and dependable supply of electricity

- 4 Strengthen our electrical infrastructure to adapt to evolving customer needs

- 5 Plan the renewables of tomorrow

- 6 Secure financing to build and maintain a reliable electricity system

- 7 Grow and develop partnerships with Yukon First Nations

- 8 Build understanding of the Yukon's electricity system and planning

2025 corporate goals and performance

Guided by our new strategic priorities, we expanded our 2025 corporate goals to reinforce our commitment to delivering reliable power today while positioning the corporation to meet the Yukon's growing long-term electricity needs. Throughout this work, our people remain at the forefront of everything we do, and safety continues to be our top priority.

goal	performance	strategic priority
Achieve zero Serious Incidents with Fatality Potential (SIFP)	In 2025, we experienced one SIFP involving possible exposure to high-voltage electricity. While no injuries occurred, the incident highlighted the importance of continued vigilance. Near-miss reporting plays a critical role in safety by helping us learn from potential incidents and take proactive steps to prevent future harm.	1
Develop the core competencies and implement the competency review program for all safety sensitive positions	We advanced several key safety certification and training initiatives focused on high-risk work activities and core competencies in 2025. This included developing standardized training requirements and streamlining safe work practices to strengthen safety across operations.	1
Critical and high priority informational technology (IT) and operational technology (OT) cyber-security vulnerabilities have been remediated	In 2025, critical and high-priority IT and OT cyber-security vulnerabilities were remediated, with continued efforts underway to strengthen cyber-security resilience and address emerging risks.	2

goal	performance	strategic priority
<p>Collective bargaining is completed collaboratively between management and the union</p>	<p>The collective bargaining parties held initial bargaining meetings in November 2025. These meetings were productive, and the bargaining process will continue in 2026. The current collective agreement expired in December 2025 and most of the terms continue to apply while the parties negotiate the new agreement.</p>	<p>2</p>
<p>Develop succession plans for each department and a training program for successors</p>	<p>Interim and long-term successors were identified for senior management roles in 2025. This work will continue into 2026 through the development of succession and training plans, as well as the evaluation of potential successors for director, manager and supervisory roles.</p>	<p>2</p>
<p>Continue to build and utilize our asset management program to prioritize business investments by addressing critical assets and integration into capital planning and scheduling</p>	<p>In 2025, Yukon Energy adopted a new corporate asset management policy to support more standardized and effective practices.</p> <p>We also developed the 2026–30 asset management road map, informed by a current-state and gap analysis, with prioritized initiatives designed to advance organizational asset management maturity over the next five years.</p>	<p>2</p>
<p>Secure authorizations for hydro facilities at the Whitehorse Hydro Facility and Mayo Hydro Facility, as well as thermal back-up in Faro and Mayo</p>	<p>In 2025, Yukon Energy continued to advance licensing and regulatory processes while navigating an overburdened regulatory environment in the Yukon.</p> <p>A 20-year Whitehorse Hydro Facility water use licence was issued in July 2025.</p> <p>The new Mayo Hydro Facility water use licence was not issued in 2025. The Mayo Hydro Facility operated under a 60-day licence renewal from December 30, 2025 to February 27, 2026, until a new five-year licence was issued on February 27, 2026.</p> <p>Diesel operations saw continued regulatory progress in 2025, including the issuance of air emissions permits for the Mayo Downtown, Mayo Secondary, Dawson Downtown and Callison diesel facilities. The Faro facility air emissions permit was issued in 2026.</p>	<p>3</p>

goal	performance	strategic priority
Complete Faro, Whitehorse and Dawson thermal replacements	In 2025, we completed the replacement of end-of-life diesel generation units in Faro and added two new diesel units at our Callison diesel facility near Dawson. In Whitehorse, the thermal replacement project continued to advance as planned, with completion targeted for 2026.	3
Complete the Dawson Voltage Conversion Project and the Whitehorse Grid-Scale Battery Energy Storage System	<p>The Dawson Voltage Conversion Project was completed in 2025, successfully transitioning the system from 4.16 kV to 12.47 kV. This work strengthens system reliability and supports future growth for residents in Dawson.</p> <p>The Whitehorse Grid-Scale Battery Energy Storage System also advanced in 2025, with battery units delivered and installed on site. Commissioning activities were initiated, including work to resolve outstanding deficiencies and advance the project toward full commissioning.</p>	4
Develop a grid-modernization strategy that identifies the people, processes and technologies to meet the evolving needs of the utilities and Yukoners	<p>In 2025, the Government of Yukon, Yukon Development Corporation and ATCO Electric Yukon collaborated to develop a draft grid modernization strategy. Progress was made in 2025 on several initiatives, including asset management and demand-side management (DSM).</p> <p>In 2026, the partners will continue refining the strategy and prioritizing initiatives based on available funding, resources and system needs. Priority areas include advanced metering infrastructure, SCADA/ADMS, asset management, IT systems, network modelling and DSM.</p>	4
Submit a Yukon Environmental and Socio-economic Assessment Board (YESAB) project proposal for the assessment of the Whitehorse Power Centres Project	<p>Yukon Energy successfully submitted a project description to YESAB for the Whitehorse Power Centres Project in July 2025.</p> <p>A full project proposal will be submitted to YESAB for an Executive Committee screening in 2026.</p>	4

goal	performance	strategic priority
<p>Issue design for Wareham spillway and construction contracts for the Mayo hydro slope and surge chamber upgrade</p>	<p>The Mayo hydro slope and surge chamber upgrade progressed in 2025 with the award of a construction contract to Kiewit. Construction commenced in summer 2025 and remains on track for completion in 2026.</p> <p>For the Wareham Spillway Replacement Project, design work advanced in 2025 through continued evaluation of replacement alternatives. This included advancing design, cost estimates and additional technical work to support project readiness. Early contractor involvement activities were also undertaken to refine project understanding, assess risks, evaluate constructability and explore alternative concepts, supported by additional site investigations and early works.</p>	<p>4</p>
<p>Launch Peak Smart Home (bring your own device) and Peak Smart Drive</p>	<p>In 2025, we carried out the Peak Smart Home (bring your own device) initiative. We also evaluated other demand-side management program opportunities to maximize dependable capacity.</p>	<p>4</p>
<p>Work with Yukon Development Corporation (YDC) to define and achieve board approvals for the process that would allow for securing the renewable winter energy resources needed to meet climate targets in 2030 and 2035</p>	<p>In 2025, Yukon Energy continued to work with YDC to establish a process and parameters for First Nations investments into Yukon Energy projects.</p> <p>Yukon Energy also participated in discussions led by YDC regarding future energy projects as they advance from concept to feasibility.</p>	<p>5</p>
<p>Support Yukon Development Corporation (YDC) with their development of a resource plan that identifies the resources needed to meet electricity demands and climate goals in 2050</p>	<p>In 2025, we supported YDC in advancing the development of a territory-wide resource development plan for the Yukon's electricity system.</p> <p>Diesel operations saw continued regulatory progress in 2025, including the issuance of air emissions permits for the Mayo Downtown, Mayo Secondary, Dawson Downtown and Callison diesel facilities. The Faro facility air emissions permit was issued in 2026.</p>	<p>5</p>

goal	performance	strategic priority
<p>Secure construction financing to deliver 2025 projects and initiate 2026–27 priorities</p>	<p>Yukon Energy utilizes a range of construction financing tools to support capital investment and project delivery.</p> <p>To support ongoing construction and capital program requirements, we temporarily increased our line of credit to \$200 million in 2025.</p>	<p>6</p>
<p>Submit a 2025–27 General Rate Application (GRA) and get interim rates approved by the Yukon Utilities Board (YUB) to finance activities</p>	<p>We submitted our 2025–27 GRA in May 2025 and received approval of interim rates until the final decision could be made by YUB.</p> <p>The 2025–27 GRA was necessary to support critical upgrades and more than \$350 million worth of investments in the Yukon’s aging electricity system. The application outlined over 150 essential projects to maintain current renewable electricity generation, enhance reliability during peak winter demand and provide emergency backup.</p>	<p>6</p>
<p>Work with Yukon Development Corporation (YDC) to develop a rate mitigation strategy that minimizes the impact of Yukon Energy’s capital investment on electricity rates</p>	<p>In 2025, Yukon Energy and YDC collaborated on several federal capital funding applications in an effort to help reduce the impact of capital investments on customers. We expect to see the outcome of these applications in 2026.</p>	<p>6</p>
<p>Obtain Kwanlin Dün First Nation (KDFN) and Ta’an Kwäch’än Council (TKC) support to advance the Whitehorse Power Centres Project to permitting</p>	<p>In 2025, Yukon Energy continued to work with KDFN and TKC to advance discussions about potential sites for the Whitehorse power centres. This included conversations around land acquisition and investment opportunities.</p>	<p>7</p>

goal	performance	strategic priority
<p>Implement 2025 commitments in the Aishihik Hydro Facility and Whitehorse Hydro Facility energy agreements</p>	<p>In 2025, Yukon Energy continued to implement the commitments under the Aishihik agreements with the Champagne and Aishihik First Nations and the Government of Yukon, as we prepare to apply for a long-term water use licence for the facility.</p> <p>Yukon Energy received its 20-year licence for the Whitehorse Hydro Facility in July 2025. Efforts throughout the year focused on identifying priorities and developing work plans to implement commitments and advance opportunities identified by Yukon Energy, Kwanlin Dün First Nation and Ta'an Kwäch'än Council.</p>	<p>7</p>
<p>Finalize and release Yukon Energy's strategic plan, Road Map to 2050, and short-term action plan, Chapter 1: A Reliable and Robust Grid</p>	<p>Yukon Energy released a new five-year strategic plan, Chapter 1: A Reliable and Robust Grid, and the accompanying Road Map to 2050 in April 2025, outlining our long-term vision and priorities.</p>	<p>8</p>



management discussion and analysis

overview

Yukon Energy generates and transmits electricity to most Yukoners through an isolated grid that is not interconnected with neighbouring jurisdictions. As the territory operates independently from external power systems, Yukon Energy is responsible for meeting 100 per cent of the electricity demand of on-grid customers using locally available resources. This creates a unique need for long-term planning to ensure the system remains reliable, resilient and capable of supporting future growth.

To meet these evolving needs, Yukon Energy is advancing a long-term vision for a robust, resilient and increasingly renewable electricity system. This includes a road map to 2050, beginning with an immediate focus on reinforcing and strengthening the existing grid over the 2025–30 period.

Our priority is to ensure an adequate and dependable supply of electricity, particularly during winter peak periods when demand approaches available capacity. Electricity demand continues to grow, driven by population increases, electrification and economic activity. Electrification includes the switch to electric home heating, electric vehicles and the increased reliance on electrical devices for everyday life. At the same time, the system is supported by aging infrastructure that requires ongoing reinvestment to maintain reliability.

To address these conditions, Yukon Energy is focused on:

- Increasing dependable winter capacity;
- Strengthening and expanding core electrical infrastructure; and
- Advancing the planning and partnerships required to enable future renewable energy development.

These priorities are supported by a significant multi-year capital program and are being delivered in collaboration with First Nations and other partners.

key drivers of 2025 financial performance

Performance in 2025 reflects increasing system pressures alongside continued investment to maintain reliability.

Electricity demand increased across all non-industrial customer classes, while continued growth in winter peak demand placed additional strain on available system capacity. Although hydroelectric generation remains the foundation of the Yukon's electricity system, low water levels in the Aishihik reservoir, combined with seasonal constraints on winter hydro capability and rising demand, resulted in greater reliance on thermal generation.

Fuel costs increased significantly to \$45.6 million (2024: \$19.8 million), reflecting both higher generation requirements and fuel prices.

Revenue growth was driven by approved interim rate increases and higher electricity use. We also advanced our capital program, with \$84.1 million in project costs and \$64.2 million in assets put into service in 2025. Many of those projects were focused on maintaining system reliability and addressing capacity requirements.

financial results

Net income for 2025 was \$14 million, compared to \$1.3 million in 2024.

Results include a net movement in regulatory balances of \$23.2 million, reflecting the timing of cost recovery through rates. Regulatory mechanisms are integral to our ability to recover prudently incurred costs and support long-term infrastructure investment.

Liquidity remains a key management focus:

- Line of credit utilization increased to \$159.7 million
- Cash balances at year-end were \$0.2 million

Yukon Energy continues to fund its capital program through long-term debt, construction financing, capital grants, shareholder contributions and rate-regulated revenues.

Securing financing to deliver the capital program remains a priority, consistent with our strategic focus on strengthening the system and increasing capacity.

regulatory environment

Yukon Energy operates under a cost-of-service regulatory framework administered by the Yukon Utilities Board.

The approved 2025–27 General Rate Application⁸ includes rate increases of:

- 15.54% for 2025;
- 9.45% for 2026; and
- 6.07% for 2027.

Regulatory processes support cost recovery and provide the framework required for long-term infrastructure investment and system planning.

critical accounting estimates

The preparation of financial statements requires the use of judgment in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about such judgments and estimates is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarized in Note 4 to the financial statements.

⁸ The 2025–27 General Rate Application was approved in 2026 by the Yukon Utilities Board.

risks and uncertainties

Yukon Energy's primary risks reflect the realities of operating a growing, isolated electricity system.

Reliable and safe operations

Maintaining safe operations for employees and the public remains Yukon Energy's highest priority. Increasing system complexity requires continued focus on operational discipline and safety performance.

Adequate and dependable supply

The most significant near-term risk is the ability to meet growing winter peak demand with sufficient dependable capacity. Timely delivery of new capacity and infrastructure is critical to maintaining system reliability.

System infrastructure

Aging infrastructure requires continued reinvestment. The corporation faces risks related to project execution, including cost pressures, supply chain constraints and resource availability.

Financing and capital delivery

The scale of planned capital investments requires sustained access to financing. Successful execution depends on securing funding and managing debt levels while advancing major projects.

Regulatory environment

Cost recovery depends on regulatory outcomes. Changes in regulatory decisions or ongoing proceedings may affect the timing and certainty of recovery.

Environmental and climate conditions

Hydrological variability and climate-related risks, including changing weather patterns and extreme events, may affect generation and infrastructure performance.

Affordability

Affordability is an increasing concern for Yukoners. We are committed to mitigating rate impacts by seeking government funding and investment opportunities for major capital projects, helping to reduce the burden on ratepayers.

outlook

Yukon Energy is entering a period of sustained investment as it works to strengthen the electricity system and respond to continued demand growth.

Over the next five years, we will:

- Advance new generation and power centre developments;
- Strengthen transmission and distribution infrastructure; and
- Plan for grid modernization and future system upgrades.

Electricity demand is expected to continue increasing, driven by electrification and population and economic growth, with winter peak demand remaining the primary constraint on the system.

Significant investment across generation, transmission and supporting infrastructure will be required to maintain reliability and meet future needs. These investments are foundational to enabling future renewable energy development.

partnerships

Successfully delivering our five-year strategic plan will require ongoing collaboration and strong partnerships across the territory. Yukon Energy will continue working closely with the Yukon Development Corporation, First Nations governments, territorial and federal governments, industry partners and stakeholders to advance shared energy priorities and support the transition to a more resilient electricity system.

These partnerships will be critical to securing funding, advancing major infrastructure and generation projects, supporting long-term energy planning, and ensuring projects are developed in a manner that reflects local priorities and values.

conclusion

2025 reflects increasing demand and growing pressure on the electricity system, alongside continued progress in advancing the investments required to strengthen reliability and safeguard our infrastructure.

Yukon Energy is taking decisive steps to:

- Ensure a dependable supply of electricity;
- Renew and expand critical infrastructure; and
- Position the system to support a more resilient and increasingly renewable future.

The work underway today is essential to maintaining reliability while establishing the foundation for the Yukon's long-term energy transition.

financial statements

- 22** Management's Responsibility for Financial Reporting
- 23** Independent Auditor's Report
- 26** Statement of Financial Position
- 27** Statement of Operations and Other Comprehensive Income
- 28** Statement of Changes in Equity
- 29** Statement of Cash Flows
- 30** Notes to Financial Statements



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May 13, 2026

Management's Responsibility for Financial Reporting


Management is responsible for the preparation of the financial statements and all other financial information relating to the Utility contained in this annual report. The financial statements have been prepared in conformity with International Financial Reporting Standards using methods appropriate for the industry in which the Utility operates and necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The Auditor General of Canada is the external auditor of the Utility.

Management has established internal accounting control systems to meet its responsibilities for reliable and accurate reporting. These systems include policies and procedures, the careful selection and training of qualified personnel and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities.

The Board of Directors, through its Audit Committee, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and the independent auditor to discuss auditing and financial matters to assure that management is carrying out its responsibilities and to review the financial statements. The auditors have full and free access to the Audit Committee and management.



Joe MacGillivray
President and CEO



Jason Epp
Vice President Finance, and Chief Financial Officer



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Yukon Energy Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Yukon Energy Corporation (the Corporation), which comprise the statement of financial position as at 31 December 2025, and the statement of operations and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Yukon Energy Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Public Utilities Act* and regulations, the *Business Corporations Act* and regulations, and the articles and by-laws of the Yukon Energy Corporation.

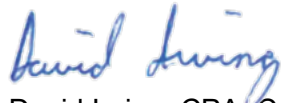
In our opinion, the transactions of the Yukon Energy Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

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

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

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



David Irving, CPA, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
13 May 2026

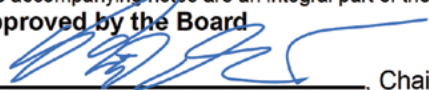
Yukon Energy Corporation
Statement of Financial Position
(in thousands of Canadian dollars)


As at	December 31 2025	December 31 2024
Assets		
Current		
Cash (Note 11)	\$ 220	\$ -
Accounts receivable (Note 5)	36,089	27,537
Inventories (Note 6)	6,168	5,221
Prepaid expenses	2,611	1,726
	45,088	34,484
Non-current		
Property, plant and equipment (Note 7)	671,715	602,208
Intangible assets (Note 8)	34,190	29,269
Right-of-use assets (Note 9)	1,325	1,550
Post-employment benefits assets (Note 15)	712	676
Derivative related asset (Note 26)	2,896	655
Total assets	755,926	668,842
Regulatory debit balances (Note 10(a))	54,400	54,096
Total assets and regulatory debit balances	\$ 810,326	\$ 722,938
Liabilities		
Current		
Bank indebtedness (Note 11)	\$ 159,747	\$ 78,004
Accounts payable and accrued liabilities (Note 12)	37,099	24,595
Construction financing (Note 13)	51,146	47,677
Current portion of deferred revenue (Note 17)	2,148	2,484
Current portion of lease liability (Note 9)	191	175
Current portion of long-term debt (Note 14)	8,696	11,764
	259,027	164,699
Non-current		
Post-employment benefits liability (Note 15)	624	635
Contributions in aid of construction (Note 16)	166,848	169,823
Deferred revenue (Note 17)	16,904	17,589
Lease liability (Note 9)	328	520
Long-term debt (Note 14)	197,956	193,854
Total liabilities	\$ 641,687	\$ 547,120
Equity		
Share capital		
Authorized: Unlimited number of a single class of shares with no par value		
Issued and fully paid: 3,900 shares	\$ 39,000	\$ 39,000
Contributed surplus	28,235	26,568
Retained earnings	90,643	76,592
Total equity	\$ 157,878	\$ 142,160
Total liabilities and equity	799,565	689,280
Regulatory credit balances (Note 10(b))	10,761	33,658
Total liabilities, equity and regulatory credit balances	\$ 810,326	\$ 722,938

Commitments and Contingencies (Notes 23 and 24)

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

Approved by the Board


_____, Chair


_____, Director

Yukon Energy Corporation
Statement of Operations and Other Comprehensive Income
(in thousands of Canadian dollars)

For the year ended December 31	2025	2024
Revenues		
Sales of power (Note 18)	\$ 102,400	\$ 85,843
Other (Note 19)	669	1,119
	103,069	86,962
Operating expenses		
Operations and maintenance (Note 20)	81,144	58,951
Depreciation and amortization (Notes 7, 8 and 9)	16,859	15,200
Administration (Note 21)	19,903	18,394
	117,906	92,545
Income (loss) before other income and other expenses	(14,837)	(5,583)
Other income		
Amortization of contributions in aid of construction (Note 16)	3,215	3,319
Allowance for funds used during construction	4,434	2,438
Unrealized gain on interest rate swap (Note 26)	2,241	-
Insurance recoveries (Note 10(a)(vii))	10,130	-
	20,020	5,757
Other expenses		
Interest expenses	14,333	12,800
Unrealized loss on interest rate swap (Note 26)	-	1,750
Net income (loss) for the year before net movement in regulatory balances	(9,150)	(14,376)
Net movement in regulatory balances related to net income (Note 10(d))	23,198	15,656
Net income for the year after net movement in regulatory account balances	14,048	1,280
Other comprehensive income (Note 3(o))		
Item that will not be reclassified to net income in subsequent periods		
Re-measurement of defined benefit pension plans (Note 15)	3	1,021
Total comprehensive income for the year	\$ 14,051	\$ 2,301

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

Yukon Energy Corporation
Statement of Changes in Equity
(in thousands of Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2023	3,900	\$ 39,000	\$ 15,968	\$ 74,291	\$ -	\$ 129,259
Net income for the year after net movement in regulatory account balances	-	-	-	1,280	-	1,280
Other comprehensive income	-	-	-	-	1,021	1,021
Transfer of re-measurement of defined benefit pension plans to retained earnings	-	-	-	1,021	(1,021)	-
Shareholder contribution (Note 27)	-	-	10,600	-	-	10,600
Balance at December 31, 2024	3,900	\$ 39,000	\$ 26,568	\$ 76,592	\$ -	\$ 142,160
Net income for the year after net movement in regulatory account balances	-	-	-	14,048	-	14,048
Other comprehensive income	-	-	-	-	3	3
Transfer of re-measurement of defined benefit pension plans to retained earnings	-	-	-	3	(3)	-
Shareholder contribution (Note 27)	-	-	1,667	-	-	1,667
Balance at December 31, 2025	3,900	\$ 39,000	\$ 28,235	\$ 90,643	\$ -	\$ 157,878

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

Yukon Energy Corporation
Statement of Cash Flows
(in thousands of Canadian dollars)

For the year ended December 31	2025	2024
		(Restated - Note 3(p))
Operating activities		
Cash receipts from customers	\$ 100,157	\$ 78,605
Cash receipts from contributions in aid of construction	1,336	1,833
Cash paid to suppliers	(80,689)	(51,746)
Cash paid to employees	(19,294)	(17,573)
Cash received from insurance claim settlement	-	113
Cash refund paid to customers	(69)	(643)
Cash used in operating activities	1,441	10,589
Financing activities		
Net advance from line of credit	78,272	33,800
Proceeds from issuing construction financing (Note 13)	7,697	-
Proceeds from issuing long-term debt	-	27,254
Repayment of long-term debt	(3,283)	(7,112)
Interest paid	(12,239)	(12,903)
Lease payments	(210)	(205)
Cash provided by financing activities	70,237	40,834
Investing activities		
Additions to property, plant and equipment	(71,116)	(47,463)
Additions to intangible assets	(5,765)	(3,707)
Cash receipts from insurance claim settlement	1,952	-
Cash used in investing activities	(74,929)	(51,170)
Net (decrease) increase in cash	(3,251)	253
Cash, beginning of year	3,471	3,218
Cash, end of year (Note 11)	\$ 220	3,471

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

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

1. NATURE OF OPERATIONS

a) General

Yukon Energy Corporation ("the Utility") is incorporated under the Yukon *Business Corporations Act* and is a wholly-owned subsidiary of Yukon Development Corporation ("YDC" or "the Parent"), a corporation owned by the Yukon Government ("the Government" or "YG"). The Utility generates, purchases, transmits, distributes and sells electrical energy in the Yukon. The Utility is not subject to income taxes. The Utility's principal place of business is located at #2 Miles Canyon Road, Whitehorse, Yukon, Y1A 6S7.

The Utility is subject to overall regulation by the Yukon Utilities Board ("YUB") and specific regulation by the Yukon Water Board. Both boards are consolidated by the Government and as such are considered to be related parties for accounting purposes. Management has assessed that these boards operate independently from the Utility from a rate setting and operating perspective.

b) Rate regulation

The operations of the Utility are regulated by the YUB pursuant to the *Public Utilities Act*. The Utility is subject to a cost of service regulatory mechanism under which the YUB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment in rate base. There is no minimum requirement for the Utility to appear before the YUB to review rates. However, the Utility is not permitted to charge any rate for the supply of power that is not approved by an Order of the YUB. As actual operating conditions vary from forecast, actual returns achieved will differ from approved returns.

The regulatory hearing process used to establish or change rates typically begins when the Utility files a General Rate Application ("GRA") for its proposed electricity rate changes over the next one or two forecast years. The YUB must ensure that its decision, which fixes electricity rates, complies with appropriate principles of rate making, all relevant legislation including the *Public Utilities Act* and directives issued by the Government through Orders-In-Council ("OIC") that specify how the interests of the customer and Utility are to be balanced.

The YUB typically follows a two-stage decision process. In the first stage, the total costs that the Utility expects it will incur to provide electricity to its customers over the forecast years are reviewed and approved. The approval of these costs determines the total revenues the Utility is allowed to collect from its customers. It is the responsibility of the YUB to examine the legitimacy of three classes of costs:

- the costs to the Utility to run its operations and maintain its property, plant and equipment (personnel and materials);
- the cost associated with the depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets; and
- the return on rate base (the borrowing costs related to borrowing that portion of rate base which is financed with debt plus the costs to provide a reasonable rate of return on that portion of rate base which is financed with equity).

The YUB assesses the prudence of costs added to rate base, which includes an allowance for funds used during construction ("AFUDC") charged to capital projects. The YUB also reviews the appropriateness of property, plant and equipment depreciation rates, which are periodically updated by the Utility through depreciation studies.

In the second stage, the YUB approves how the revenue will be raised. This stage essentially determines the electricity rates for the various customer classes in the Yukon: wholesale, general service, industrial, residential, sentinel and street lights and secondary sales. This process is guided mainly by requirements of OIC 1995/90 and can include a cost-of-service study which allocates the Utility's overall cost of service to the various customer classes on the basis of appropriate costing principles.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

1. NATURE OF OPERATIONS (continued)

b) Rate regulation (continued)

In May 2025, the Utility filed a GRA for the years 2025, 2026 and 2027 requesting approval of revenue requirement and related rate increases of 15.57% for 2025, 8.95% for 2026 and 6.21% for 2027. The YUB issued an order in January 2026 requiring the Utility to make changes and complete a compliance filing. The Utility submitted the compliance filing in February 2026. In March 2026, the YUB approved the compliance filing as submitted resulting in a rate increase of 15.54% for 2025, 9.45% for 2026 and 6.07% for 2027.

Refer to Note 4 regulatory account balances.

c) Water regulation

The Yukon Water Board ("YWB"), pursuant to the Yukon *Waters Act*, decides if and for how long the Utility will have water licences for the purposes of operating hydro generation stations in the Yukon. The licences will also indicate terms and conditions for the operation of these facilities. The current water licences have the following terms:

Aishihik Generating Station	December 31, 2027
Mayo Generating Station	December 31, 2030
Whitehorse Generating Station	July 30, 2045

d) Capital structure

The Utility's policy which has been reviewed and approved by the YUB is to maintain a capital structure of approximately 60% debt and 40% equity for regulatory purposes.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS").

These financial statements were authorized for issue by the Board of Directors on May 13, 2026.

b) Basis of measurement

The financial information included in the financial statements has been prepared on a historical cost basis, except where otherwise indicated.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Revenue recognition

The Utility recognizes revenue from contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Utility's performance completed to date.

The majority of the Utility's revenues from contracts with customers are derived from the generation, purchase, transmission, distribution, and sales of electricity under the *Public Utilities Act*. The Utility evaluates whether the contracts it enters into meet the definition of a contract with a customer at the inception of the contract and on an ongoing basis if there is an indication of a significant change in facts and circumstances. Revenue is measured based on the transaction price specified in a contract with a customer. Revenue is recognized when control over a promised good or service is transferred to the customer and the Utility is entitled to consideration as a result of completion of the performance obligation.

Deferred revenue is recognized when the Utility receives consideration before the performance obligations have been satisfied. A contract asset is recognized when the Utility has rights to consideration for the completion of a performance obligation when that right is conditional on something other than the passage of time. The Utility recognizes unconditional rights to consideration separately as a trade receivable. Contract assets are evaluated at each reporting period to determine whether there is any objective evidence that they are impaired.

The Utility receives amounts from customers for connection to the grid. The customer contributions related to the provision of on-going access to electricity are recognized into revenue as the performance obligation is satisfied. The amounts received from Independent Power Producers ("IPPs") in accordance with an Electricity Purchase Agreement ("EPA") are recognized into revenue as the Utility provides the construction activities of the related connection or if applicable over the useful life of the asset to which the contribution relates.

Electricity sales contracts are deemed to have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other obligations in the contracts and therefore not distinct. These performance obligations are considered to be satisfied over time as electricity is delivered because of the continuous transfer of control to the customer. The method of revenue recognition for the electricity is an output method, which is based on the volume delivered to the customer.

The Utility's electricity sales are calculated based on the customer's usage of electricity during the period at the applicable published rates for each customer class. Electricity rates in the Yukon are set by the YUB. Electricity sales include an estimate of electricity deliveries not yet billed at period-end. The estimated unbilled revenue is based on estimated consumption and applicable rates for the period between the last billing date and the end of the period.

Payment for Sales of Power are due within the month following service.

b) Translation of foreign currencies

The functional currency of the Utility is the Canadian Dollar. Revenue and expense items denominated in foreign currencies are translated at exchange rates prevailing during the period. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates. Non-monetary assets and liabilities are translated at exchange rates in effect when the assets are acquired or the obligations are incurred. Foreign exchange gains and losses are reflected in net income for the period.

c) Allowance for funds used during construction

The cost of the Utility's property, plant and equipment and intangible assets includes an allowance for funds used during construction ("AFUDC"). The AFUDC rate is based on the Utility's weighted average cost of debt.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

d) Cash

Cash is comprised of bank account balances (net of outstanding cheques).

e) Inventories

Inventories consist of materials and supplies, diesel fuel and liquefied natural gas. Inventories are carried at the lesser of weighted average cost and net realizable value. Cost includes all expenditures incurred in acquiring the items and bringing them to their existing condition and location. Critical spare parts are recognized in the Utility's property, plant and equipment.

The recoverable value of inventory considers its net realizable value, including required processing costs, and is impacted by estimates and assumptions on prices, quality, recovery and exchange rates. Obsolete materials and supplies are recorded at salvage value in the period when obsolescence is determined.

f) Financial instruments

Financial assets and financial liabilities are recognized on the Utility's Statement of Financial Position when the Utility becomes party to the contractual provisions of the instrument.

i) Financial assets

Cash and accounts receivable, plus any transaction costs that are directly attributable to the acquisition of the financial asset, are initially measured at fair value. Subsequent to initial recognition, cash is measured at amortized cost and accounts receivable are measured at amortized cost using the effective interest rate method less any impairment. The Utility's business model is to hold these assets to collect contractual cash flows.

A provision for impairment of accounts receivable is established applying the expected credit loss model based on all possible default events over the expected life of the financial asset. For trade accounts receivable, the Utility applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. For other receivables, at the reporting date, if credit risk has increased significantly since initial recognition, the Utility measures the loss allowance at an amount equal to the lifetime expected credit losses, otherwise, if the credit risk has not increased significantly since initial recognition, the Utility measures the loss allowance at an amount equal to 12-month expected credit losses.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or require financial reorganization, and default or delinquency in payments are considered indicators that the related accounts receivable are impaired. The accounts receivable carrying amount is reduced through the use of an allowance account and the loss is recognized in net income. A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Utility has transferred its rights to receive cash flows from the asset and has transferred substantially all the risk and rewards of the asset.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Utility has entered into interest rate swaps to manage interest rate risk. The Utility's interest rate swaps are classified as fair value through profit and loss and are thus recognized at fair value on the date the contract has been entered into with any subsequent realized and unrealized gains and losses recognized in net income during the period in which the fair value movement occurred.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

f) Financial instruments (continued)

i) Financial assets (continued)

The fair value of the derivative related asset is calculated using market implied forward rates and discount factors, such as those for a Canadian dollar index, and which are specific to the credit risk and term to maturity of the asset. As the derivative related asset is fair valued using observable market data other than quoted prices for the asset, these inputs and the asset are categorized as level 2 in the fair value hierarchy.

ii) Financial liabilities

Bank indebtedness, accounts payable and accrued liabilities, construction financing, long-term debt and lease liabilities are initially measured at fair value less any transaction costs that are directly attributable to the issuance of the financial liability. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. A financial liability is derecognized when the obligation is discharged or cancelled, or expires.

Transaction costs are presented as a reduction from the carrying value of the related debt and are amortized using the effective interest rate method over the terms of the debts to which they relate. Transaction costs include fees paid to agents, brokers and advisors but exclude debt discounts and lender financing costs.

The fair value of the long-term debt is calculated using the net present value of principal and interest cash flows. The discount rates used in the present value calculation are obtained from the issuing banking institutions, and are specific to the credit risk and term to maturity associated with the long-term debt. As these discount rates are based on unobservable data, they are categorized as level 3 inputs in the fair value hierarchy.

g) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any asset impairment charges. Cost includes the direct costs of acquisition and materials, direct labour, and, if applicable, an allocation of directly attributable overhead costs, AFUDC and any asset retirement costs associated with the property, plant and equipment.

AFUDC is applied to actual costs in work-in-progress less any contributions in aid of construction. For items of property, plant and equipment acquired prior to January 1, 2011, the AFUDC rate also included a regulatory cost of equity component as allowed by the YUB. Capitalization of AFUDC ceases when the asset being constructed is substantially ready for its intended purpose.

Assets under construction are recognized as construction work-in-progress until they are operational and available for use, at which time they are transferred to the applicable component of property, plant and equipment.

Depreciation is recognized in net income based on the straight-line method over the estimated useful life of each major component of property, plant and equipment.

Depreciation commences when an asset is available for use. The estimated useful lives of the assets are based upon depreciation studies conducted periodically by the Utility and any changes in the estimated useful lives are accounted for prospectively.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g) Property, plant and equipment (continued)

The range of the estimated useful lives of the major classes and subclasses of property, plant and equipment is as follows:

Generation:	
Hydroelectric plants	20 to 103 years
Thermal plants	12 to 72 years
Transmission	12 to 65 years
Distribution	16 to 55 years
Land	No Depreciation
Buildings	20 to 55 years
Transportation	8 to 25 years
Other equipment	5 to 20 years

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period of the expected useful life (until the next major overhaul) which varies from 2 to 10 years. Repairs and maintenance costs of property, plant and equipment are expensed as incurred unless they meet the criteria of a betterment.

h) Intangible assets

Intangible assets are carried at cost less accumulated amortization and any asset impairment charges. Cost includes the direct costs of acquisition and materials, direct labour, and, if applicable, an allocation of directly attributable overhead costs and AFUDC.

Amortization commences when an asset is available for use. Licenses are available for use when the license period commences. Amortization is recognized in net income on a straight-line basis over the estimated useful lives as follows:

Software	5 years
Financial software	10 years
Water licensing:	
Aishihik	2 to 5 years
Mayo	5 years
Whitehorse	20 years
Thermal permit	3 to 10 years
Other intangibles	5 years

i) Leases

At inception of a contract, the Utility assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset. The Utility assesses whether:

- The contract involves the use of an identified asset;
- The Utility has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Utility has the right to direct the use of the asset.

At inception, the Utility allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

i) Leases (continued)

The Utility recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability and any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Utility elected to exclude short-term leases with a term of twelve months or less as well as leases of low-value assets, and accounts for the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*, and impairments are recorded in net income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Utility's incremental borrowing rate. Generally, the Utility uses its incremental borrowing rate as the discount rate. Subsequent to recognition, the lease liability is measured at amortized cost using the effective interest rate method. A lease liability is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, or if the Utility changes its assessment of whether it will exercise a renewal or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in net income if the carrying amount of the right-of-use assets has been reduced to zero.

j) Impairment of non-financial assets

Property, plant and equipment, and intangible assets with finite lives are reviewed for impairment on an annual basis if there is an indication that the carrying amount may not be recoverable. Impairment is assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs to sell ("FVLCS"). Value in use is the net present value of expected future cash flows of the relevant cash-generating unit in its current condition.

The best evidence of FVLCS is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCS is based on the best information available to reflect the amount the Utility could receive for the cash-generating unit in an arm's length transaction. This is often estimated using discounted cash flow techniques and where unobservable inputs are material to the measurement of the recoverable amount, the measurement is classified as level 3 in the fair value hierarchy. The cash flow forecasts for FVLCS purposes are based on management's best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental cleanup. For regulatory debit balances the impairment review focuses on whether the amount is considered collectible based on the expected cash flows from the rates approved by the YUB.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

j) Impairment of non-financial assets (continued)

These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of impairment testing, impairment charges recognized in net income and the resulting carrying amounts of the assets.

k) Rate regulated accounting policies

Regulatory Deferral Account

Regulatory deferral accounts in these financial statements are accounted for differently than they would be in the absence of rate regulation; these are referred to throughout the statements as Regulatory Accounts. The Utility defers certain costs or revenues as regulatory debit balances or regulatory credit balances on the Statement of Financial Position and recognizes changes in the regulatory account balances in the net movement in regulatory account balances in the Statement of Operations and Other Comprehensive Income. The amounts recognized as regulatory account balances are expected to be recovered or refunded in future rates, based on approvals by the YUB. The recovery or settlement of regulatory balances through future rates is impacted by demand risk and regulatory risks (e.g. potential future decisions of the YUB which could result in material adjustments to these regulatory debit balances and regulatory credit balances as described in Note 1(b)).

i) Regulatory debit balances

Regulatory debit balances represent costs which are expected to be recovered from customers in future periods through the rate-setting process. In the absence of rate regulation and the Utility's adoption of IFRS 14, Regulatory Deferral Accounts, such costs would be expensed as incurred.

ii) Regulatory credit balances

Regulatory credit balances represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. In the absence of rate regulation and the Utility's adoption of IFRS 14, such amounts would be recorded in income as performance obligations are met.

Note 10 describes the individual regulatory debits and credits, the Utility's related regulatory deferral and amortization policies and describes the related account activity in the relevant periods.

l) Provision for asset retirement obligations

The Utility has legal obligations related to the closure and restoration of property, plant and equipment, which includes the costs of dismantling, demolition of infrastructure and the removal of residual materials and remediation of the disturbed areas.

Where a reliable estimate of the present value of these obligations can be determined, the total retirement costs are recognized as a provision in the accounting period when the obligation arises. There is also a corresponding increase to property, plant and equipment upon recognition of the obligation. Management estimates its costs based on feasibility and engineering studies and assessments using current restoration standards and techniques.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

m) Provision for environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. The Utility will accrue a provision when it has a present obligation as a result of a past event to remediate the contaminated site, it is expected that future economic benefits will be given up to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the likelihood of the Utility's obligation to incur these costs is either not determinable or the amount of the obligation cannot be reliably estimated, the contingency is disclosed in the notes to the financial statements.

The Utility reviews its provision for environmental liabilities on an ongoing basis and any changes are recognized in net income for the current period.

n) Contributions in aid of construction

Certain property, plant and equipment additions are made with financial assistance from the Utility's Parent, the YG, or the Government of Canada. These contributions are deferred upon receipt and amortized to income on the basis of the life of the asset to which they relate.

o) Post-employment benefits and other comprehensive income

The Utility sponsors an employee defined benefit pension plan for employees joining the Utility before January 1, 2002. The Utility also sponsors an executive defined benefit pension plan and supplemental executive retirement plan for a former executive. Benefits provided are calculated based on length of pensionable service, pensionable salary at retirement age and negotiated rates. The Utility contributes amounts to the pension plans as recommended by an independent actuary.

For the defined benefit plans the cost of pension benefits is actuarially determined using the projected benefits method, prorated on service, and reflects management's best estimates of investment returns, wage and salary increases, and age at retirement. Re-measurements of the net defined benefit liability, including actuarial gains and losses and return on plan assets, are recognized in other comprehensive income ("OCI") and are not reclassified to net income in a subsequent period. The Utility's policy is to immediately transfer actuarial gains and losses recognized in OCI to retained earnings. The expected return on plan assets is based on the fair value of these assets.

Employees joining the Utility after January 1, 2002 are eligible for a defined contribution retirement plan and are not eligible to participate in the defined benefit pension plan. The Utility has no legal or constructive obligation to pay further contributions with respect to this plan. Contributions are recognized as an expense in the year when employees have rendered service and represent the obligation of the Utility.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

p) Change in accounting policy

The Utility re-assessed its accounting policy for the presentation of interest paid in the statement of cash flows. The Utility previously classified interest paid as an operating activity. Effective in 2025, the Utility has revised its policy and now classifies interest paid as a financing activity. This change provides information about the Utility's cash flows from operating and financing activities that better reflects the nature of those activities. The Utility has applied this new policy retrospectively. The effect of the changes are described below:

Statement of Cash Flows

Operating activities	Previously reported 2024	Adjustment	As restated 2024
Interest paid	(\$12,903)	\$12,903	\$0
Cash used in operating activities	(\$2,314)	\$12,903	\$10,589
Financing activities	Previously reported 2024	Adjustment	As restated 2024
Interest paid	\$0	(\$12,903)	(\$12,903)
Cash provided by financing activities	\$53,737	(\$12,903)	40,834

q) Future application of changes in accounting standards

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18), which replaces the guidance in IAS 1, Presentation of Financial Statements and sets out requirements for presentation and disclosure of information, focusing on providing relevant information to users of the financial statements. IFRS 18 introduces changes to the structure of the statement of profit or loss, aggregation and disaggregation of financial information, and management-defined performance measures to be disclosed in the notes to the financial statements. It will be effective for the Utility's annual period beginning January 1, 2027. Early application is permitted. The standard will be applied retrospectively with restatement of comparatives. The Utility is currently assessing the impact of adopting this standard.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of judgment in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about such judgments and estimates is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarized below.

Areas of significant judgment and estimates made by management in preparing these financial statements include:

Impairment of financial assets – Note 3(f)(i)

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Management continually monitors the Utility's operations and makes judgments and assessments about conditions and events in order to conclude whether possible impairment exists.

Impairment of non-financial assets – Note 3(j)

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Management continually monitors the Utility's operations and makes judgments and assessments about conditions and events in order to conclude whether possible impairment exists.

Asset retirement obligations – Notes 3(l) and 24

In determining the present value of the obligation, the Utility must estimate the amount and timing of the future cash payments and then apply an appropriate risk-free interest rate. Any changes to the anticipated amounts or timing of future payments or risk-free interest rate can result in a change to the obligation.

Depreciation – Notes 3(g), 7 and 9

Significant components of property, plant and equipment are depreciated straight line over their estimated useful lives. Useful lives are determined based on current facts and past experience and the results of depreciation studies. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates. As such, assets may continue in use after being fully depreciated, or may be retired or disposed of before being fully depreciated. The latter could result in additional depreciation expense in the period of disposition.

Intangible assets – Notes 3(h) and 8

In determining whether to recognize costs as intangible assets, management makes judgments about when the criteria for recognition are met. Management also makes judgments about which costs in work-in-progress pertain to a particular new license because licensing activities occur on a continuing basis. Changes to management's judgments would affect the carrying amount of the Utility's intangible assets and amortization recognition.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Post-employment benefits – Notes 3(o) and 15

The Utility accrues for its obligations under defined benefit pension plans using actuarial valuation methods and other assumptions to estimate the projected benefit obligation and the associated expense related to the current period. The key assumptions utilized include the long-term rate of inflation, rates of future compensation, liability discount rates and the expected return on plan assets. The Utility consults with qualified actuaries when setting the assumptions used to estimate benefit obligations. Actual rates could vary significantly from the assumptions and estimates used.

Revenue – Notes 3(a), 10(a)(iii), 10(a)(iv), 17 and 18

In years where the Utility has submitted a General Rate Application and the decision from the Yukon Utilities Board is outstanding, the Utility estimates the recovery amount of the GRA revenue requested.

The Utility estimates usage not yet billed at year end, which is included in revenues from sales of power. This accrual is based on an assessment of unbilled electricity supplied to customers between the date of the last meter reading and the year end. Management applies judgment to the measurement of the estimated consumption. Significant judgments have also been made in determining the nature of the Utility's performance obligations, the appropriate measurement and the contract terms to be used in recognizing the related revenue.

In determining the period over which deferred revenue from customer contributions is recognized, for contracts where an otherwise indefinite service period would apply, management judges the recognition to occur over the shorter of the estimated useful life of the utility's primary service delivery asset or the estimated operational life of the customer's operations as defined in the agreement. These judgments and the estimation of asset useful lives and customer operational lives involve inherent uncertainty. Changes in these estimates or judgments could materially impact the timing of revenue recognition.

Provisions and Contingencies – Notes 3(m), 24 and 25

Management is required to make judgments to assess if the criteria for recognition of provisions and contingencies are met, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Key judgments are whether a present obligation exists and the probability of an outflow being required to settle that obligation. Key assumptions in measuring provisions include the timing and amount of future payments and the discount rate applied.

Where the Utility is defending certain lawsuits management must make judgments, estimates and assumptions about the final outcome, timing of trial activities and future costs as at the period end date. Management will obtain the advice of its external counsel in determining the likely outcome and estimating the expected obligations associated with these lawsuits; however, the ultimate outcome or settlement costs may differ from management's estimates.

Financial Instruments – Notes 3(f) and 26

The Utility enters into financial instrument arrangements which may require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, in accordance with IFRS 9, *Financial Instruments*. Key judgments are whether certain non-financial items are readily convertible to cash, whether similar contracts are routinely settled net in cash or delivery of the underlying commodity taken and then resold within a short period, and whether the value of a contract changes in response to a change in an underlying rate, price, index or other variable.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Regulatory Account Balances – Notes 1(b), 3(k) and 10

The Utility accounts for its regulatory accounts in accordance with IFRS 14 and the decisions of the YUB. As discussed in Note 1(b) the recovery of these balances will be determined by the YUB as part of the regulatory proceeding to approve the GRA. Management is required to make judgments about the extent that the Utility will be permitted to incorporate deferred amounts in future rates.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

5. ACCOUNTS RECEIVABLE

	December 31 2025	December 31 2024
Trade accounts receivable:		
Retail energy sales	\$ 12,263	\$ 11,219
Wholesale energy sales	13,843	11,545
Due from related parties (Note 22)	433	2,888
Other	9,550	1,885
	\$ 36,089	\$ 27,537

Included in Accounts receivable - Other is an amount of \$976,000 (2024 - \$926,000) related to GST ITC receivable.

At December 31, 2025, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	\$ 27,243	\$ 4,321	\$ 4,934	\$ 36,498
Allowance for doubtful accounts	-	-	(409)	(409)
	\$ 27,243	\$ 4,321	\$ 4,525	\$ 36,089

At December 31, 2024, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	\$ 17,173	\$ 3,624	\$ 6,750	\$ 27,547
Allowance for doubtful accounts	-	-	(10)	(10)
	\$ 17,173	\$ 3,624	\$ 6,740	\$ 27,537

A reconciliation of the beginning and ending amount of allowance for doubtful accounts is as follows:

	December 31 2025	December 31 2024
Allowance for doubtful accounts at beginning of year	\$ (10)	\$ (10)
Amounts provided for during the year (Note 26)	(399)	-
Allowance for doubtful accounts at end of year	\$ (409)	\$ (10)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

6. INVENTORIES

	December 31 2025	December 31 2024
Materials and supplies	\$ 4,715	\$ 4,094
Diesel fuel	1,308	885
Liquefied natural gas	145	242
	\$ 6,168	\$ 5,221

7. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Generation	Transmission & Distribution	Land	Buildings & Other Equipment	Transportation	Construction Work in Progress	Total
Costs:							
At December 31, 2023	\$ 337,597	\$ 251,750	\$ 1,615	\$ 21,930	\$ 6,825	\$ 63,706	\$ 683,423
Additions	-	-	-	-	-	45,953	45,953
Transfers	6,977	3,193	-	7,102	1,884	(19,156)	-
Disposals	(1,208)	-	-	(438)	(543)	-	(2,189)
At December 31, 2024	\$ 343,366	\$ 254,943	\$ 1,615	\$ 28,594	\$ 8,166	\$ 90,503	\$ 727,187
Additions	-	-	-	-	-	84,091	84,091
Transfers	52,605	9,323	-	1,396	875	(64,199)	-
Disposals	(48)	-	-	(297)	(227)	-	(572)
At December 31, 2025	\$ 395,923	\$ 264,266	\$ 1,615	\$ 29,693	\$ 8,814	\$ 110,395	\$ 810,706
Accumulated depreciation:							
At December 31, 2023	\$ 55,428	\$ 47,383	\$ -	\$ 6,826	\$ 3,340	\$ -	\$ 112,977
Depreciation	7,154	4,879	-	827	529	-	13,389
Disposals	(616)	-	-	(235)	(536)	-	(1,387)
At December 31, 2024	\$ 61,966	\$ 52,262	\$ -	\$ 7,418	\$ 3,333	\$ -	\$ 124,979
Depreciation	7,867	4,936	-	1,037	638	-	14,478
Disposals	-	-	-	(239)	(227)	-	(466)
At December 31, 2025	\$ 69,833	\$ 57,198	\$ -	\$ 8,216	\$ 3,744	\$ -	\$ 138,991
Net Book Value:							
At December 31, 2024	\$ 281,400	\$ 202,681	\$ 1,615	\$ 21,176	\$ 4,833	\$ 90,503	\$ 602,208
At December 31, 2025	\$ 326,090	\$ 207,068	\$ 1,615	\$ 21,477	\$ 5,070	\$ 110,395	\$ 671,715

The total AFUDC charged to property, plant and equipment during 2025 was \$3,519,000 (2024 - \$2,052,000).
The AFUDC rate for 2025 was 3.47% (2024 - 2.88%).

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

8. INTANGIBLE ASSETS

A reconciliation of the changes in the carrying amount of intangible assets is as follows:

	Software	Deferred Service Costs	Financial Software	Water Licensing	Thermal Permit	Other Intangibles	Work in Progress	Total
Costs:								
At December 31, 2023	\$ 1,184	\$ 443	\$ 6,955	\$ 4,239	\$ -	\$ -	\$ 20,162	\$ 32,983
Additions	-	-	-	-	-	-	5,917	5,917
Transfers	244	-	-	755	216	260	(1,475)	-
Disposals	-	-	-	(118)	-	-	(2,404)	(2,522)
At December 31, 2024	\$ 1,428	\$ 443	\$ 6,955	\$ 4,876	\$ 216	\$ 260	\$ 22,200	\$ 36,378
Additions	-	-	-	-	-	79	7,034	7,113
Transfers	657	-	-	11,904	24	415	(13,000)	-
Disposals	(98)	-	-	(201)	-	-	-	(299)
At December 31, 2025	\$ 1,987	\$ 443	\$ 6,955	\$ 16,579	\$ 240	\$ 754	\$ 16,234	\$ 43,192
Accumulated amortization:								
At December 31, 2023	\$ 501	\$ 443	\$ 3,660	\$ 1,037	\$ -	\$ -	\$ -	\$ 5,641
Amortization	280	-	456	812	-	38	-	1,586
Disposals	-	-	-	(118)	-	-	-	(118)
At December 31, 2024	\$ 781	\$ 443	\$ 4,116	\$ 1,731	\$ -	\$ 38	\$ -	\$ 7,109
Amortization	267	-	454	1,300	24	147	-	2,192
Disposals	(98)	-	-	(201)	-	-	-	(299)
At December 31, 2025	\$ 950	\$ 443	\$ 4,570	\$ 2,830	\$ 24	\$ 185	\$ -	\$ 9,002
Net Book Value:								
At December 31, 2024	\$ 647	\$ -	\$ 2,839	\$ 3,145	\$ 216	\$ 222	\$ 22,200	\$ 29,269
At December 31, 2025	\$ 1,037	\$ -	\$ 2,385	\$ 13,749	\$ 216	\$ 569	\$ 16,234	\$ 34,190

Additions to Financial Software, Water Licensing, Thermal permit and Other Intangibles were almost exclusively internally generated. Additions to Software was almost exclusively externally purchased.

Work in Progress consists of Software \$253,000 (2024– \$434,000), Water Licensing \$14,898,000 (2024 – \$21,221,000), Thermal Permit \$0 (2024 – \$23,000) and Other Intangibles \$1,083,000 (2024 - \$520,000).

The total AFUDC charged to intangible assets during 2025 was \$802,000 (2024 - \$304,000). The AFUDC rate for 2025 was 3.47% (2024 - 2.88%).

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

9. LEASES

The Utility leases industrial land and building facilities. The Utility has two existing land leases and one existing building lease. Right-of-use assets consist of land of \$912,000 (2024 - \$988,000) and building of \$413,000 (2024 - \$562,000).

	December 31 2025	December 31 2024
Right-of-use assets		
As at January 1	\$ 1,550	\$ 1,776
Depreciation expense	(225)	(226)
As at December 31	\$ 1,325	\$ 1,550
Lease liabilities		
Lease liabilities	\$ 519	\$ 695
Less: current portion	191	175
Non-current portion	\$ 328	\$ 520
Amounts recognized in net income		
Depreciation expense on right-of-use assets	\$ (225)	\$ (226)
Interest expense on lease liabilities	\$ (35)	\$ (45)
Short-term leases payments	\$ (6,529)	\$ (5,279)
Stand-by charges for short-term leases	\$ (1,085)	\$ (1,522)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS

a) Regulatory debit balances

	Feasibility Studies (i)	Regulatory Costs (ii)	2025-27 GRA (iii)	2023/24 and 2021 GRA's (iv)	Hearing Reserve (v)	Fuel Price Adjustment (vi)	Subtotal see next page
Cost:							
At December 31, 2023	\$ 18,967	\$ 10,458	\$ -	\$ 6,349	\$ 1,047	\$ 3,246	\$ 40,067
Costs incurred	4,146	2,153	-	-	-	-	6,299
Regulatory provision	-	(170)	-	20,358	(81)	(1,664)	18,443
Disposals	(426)	-	-	(13,136)	-	(46)	(13,608)
Contributions received	(232)	(458)	-	-	-	-	(690)
At December 31, 2024	\$ 22,455	\$ 11,983	\$ -	\$ 13,571	\$ 966	\$ 1,536	\$ 50,511
Costs incurred	1,427	1,884	-	-	-	-	3,311
Regulatory provision	-	(1,004)	19,567	-	1,004	2,006	21,573
Disposals	(1,529)	(1,003)	(6,480)	(6,856)	(590)	-	(16,458)
Contributions received	(96)	(83)	-	-	-	(1,148)	(1,327)
At December 31, 2025	\$ 22,257	\$ 11,777	\$ 13,087	\$ 6,715	\$ 1,380	\$ 2,394	\$ 57,610
Accumulated amortization:							
At December 31, 2023	\$ 4,763	\$ 1,139	\$ -	\$ -	\$ -	\$ -	\$ 5,902
Amortization	3,484	904	-	13,136	-	-	17,524
Disposals	(266)	-	-	(13,136)	-	-	(13,402)
At December 31, 2024	\$ 7,981	\$ 2,043	\$ -	\$ -	\$ -	\$ -	\$ 10,024
Amortization	2,697	970	6,480	6,856	590	-	17,593
Disposals	(1,530)	(635)	(6,480)	(6,856)	(590)	-	(16,091)
At December 31, 2025	\$ 9,148	\$ 2,378	\$ -	\$ -	\$ -	\$ -	\$ 11,526
Net book value:							
At December 31, 2024	\$ 14,474	\$ 9,940	\$ -	\$ 13,571	\$ 966	\$ 1,536	\$ 40,487
At December 31, 2025	\$ 13,109	\$ 9,399	\$ 13,087	\$ 6,715	\$ 1,380	\$ 2,394	\$ 46,084
Work in progress included in cost and net book value, not yet being amortized:							
At December 31, 2024	\$ 1,680	\$ 3,140	\$ -	\$ -	\$ -	\$ -	\$ 4,820
At December 31, 2025	\$ 708	\$ 3,202	\$ -	\$ -	\$ -	\$ -	\$ 3,910
Net increase (decrease) in regulatory debit balances (which are recognized in the net movement in regulatory account balances related to net income on the Statement of Operations and Other Comprehensive Income):							
At December 31, 2024	\$ 270	\$ 621	\$ -	\$ 7,222	\$ (81)	\$ (1,710)	\$ 6,322
At December 31, 2025	\$ (1,365)	\$ (541)	\$ 13,087	\$ (6,856)	\$ 414	\$ 858	\$ 5,597
Remaining recovery years:							
At December 31, 2024	1 to 5 years	1 to 29 years	N/A	1 year	Indeterminate	1 year	
At December 31, 2025	1 to 8 years	1 to 28 years	2 years	1 year	Indeterminate	Indeterminate	
Absent rate regulation, net income for the year and net movement in regulatory account balances on the Statement of Operations and Other Comprehensive Income would decrease (increase) by:							
At December 31, 2024	\$ (270)	\$ (621)	\$ -	\$ (7,222)	\$ 81	\$ 1,710	\$ (6,322)
At December 31, 2025	\$ 1,365	\$ 541	\$ (13,087)	\$ 6,856	\$ (414)	\$ (858)	\$ (5,597)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

a) Regulatory debit balances (continued)

	Subtotal see previous page	Uninsured Losses (vii)	Vegetation Management (viii)	Dam Safety (ix)	IPP Purchase Costs (x)	Deferred Overhauls (xi)	Total
Cost:							
At December 31, 2023	\$ 40,067	\$ 4,745	\$ 2,216	\$ 255	\$ 26	\$ 1,301	\$ 48,610
Costs incurred	6,299	9,581	-	20	41	-	15,941
Regulatory provision	18,443	(411)	-	-	-	98	18,130
Disposals	(13,608)	-	-	-	-	-	(13,608)
Contributions received	(690)	-	-	-	-	-	(690)
At December 31, 2024	\$ 50,511	\$ 13,915	\$ 2,216	\$ 275	\$ 67	\$ 1,399	\$ 68,383
Costs incurred	3,311	6,820	-	297	24	-	10,452
Regulatory provision	21,573	(555)	(580)	-	-	-	20,438
Disposals	(16,458)	-	-	(256)	-	-	(16,714)
Contributions received	(1,327)	(10,128)	-	-	-	-	(11,455)
At December 31, 2025	\$ 57,610	\$ 10,052	\$ 1,636	\$ 316	\$ 91	\$ 1,399	\$ 71,104
Accumulated amortization:							
At December 31, 2023	\$ 5,902	\$ 1,462	\$ 1,552	\$ 127	\$ -	\$ 248	\$ 9,291
Amortization	17,524	205	221	51	-	397	18,398
Disposals	(13,402)	-	-	-	-	-	(13,402)
At December 31, 2024	\$ 10,024	\$ 1,667	\$ 1,773	\$ 178	\$ -	\$ 645	\$ 14,287
Amortization	17,593	509	220	51	-	364	18,737
Disposals	(16,091)	-	-	(229)	-	-	(16,320)
At December 31, 2025	\$ 11,526	\$ 2,176	\$ 1,993	\$ -	\$ -	\$ 1,009	\$ 16,704
Net book value:							
At December 31, 2024	\$ 40,487	\$ 12,248	\$ 443	\$ 97	\$ 67	\$ 754	\$ 54,096
At December 31, 2025	\$ 46,084	\$ 7,876	\$ (357)	\$ 316	\$ 91	\$ 390	\$ 54,400
Work in progress included in cost and net book value, not yet being amortized:							
At December 31, 2024	\$ 4,820	\$ 9,161	\$ -	\$ -	\$ -	\$ -	\$ 13,981
At December 31, 2025	\$ 3,910	\$ 13,217	\$ -	\$ -	\$ -	\$ -	\$ 17,127
Net increase (decrease) in regulatory debit balances (which are recognized in the net movement in regulatory account balances related to net income on the Statement of Operations and Other Comprehensive Income):							
At December 31, 2024	\$ 6,322	\$ 8,965	\$ (221)	\$ (31)	\$ 41	\$ (299)	\$ 14,777
At December 31, 2025	\$ 5,597	\$ (4,372)	\$ (800)	\$ 219	\$ 24	\$ (364)	\$ 304
Remaining recovery years:							
At December 31, 2024		Indeterminate	2 years	2 years	Indeterminate	2 years	
At December 31, 2025		Indeterminate	Indeterminate	5 years	Indeterminate	1 year	
Absent rate regulation, net income for the year and net movement in regulatory account balances on the Statement of Operations and Other Comprehensive Income would decrease (increase) by:							
At December 31, 2024	\$ (6,322)	\$ (8,965)	\$ 221	\$ 31	\$ (41)	\$ 299	\$ (14,777)
At December 31, 2025	\$ (5,597)	\$ 4,372	\$ 800	\$ (219)	\$ (24)	\$ 364	\$ (304)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

a) Regulatory debit balances (continued)

(i) Feasibility studies and infrastructure planning

The Utility undertakes certain studies to determine the feasibility of a range of projects and infrastructure proposals. While in progress, the costs of these studies are deferred within this account, except for feasibility studies for capital projects starting in 2025. The Utility is directed to defer and amortize the costs over terms (between five and ten years) at the discretion of the YUB. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred. In Board Order 2026-01, the YUB approved transitioning the recording of feasibility studies for capital projects as an expense in the year incurred. Beginning in 2025, where the cost of capital project feasibility studies do not meet criteria for capitalization under IFRS, they are expensed in Note 20 as capital project studies in accordance with IFRS and the YUB Order. Items deferred prior to 2025 will continue to be deferred and will be amortized until fully amortized for regulatory purposes.

(ii) Regulatory costs

These costs are associated with the YUB regulatory proceedings. The costs consist primarily of various rate and project review proceedings but also include resource plans and demand side management costs. The Utility is directed to defer and amortize the costs over terms at the discretion of the YUB. During the year, \$1,004,000 (2024 - \$170,000) was transferred to the regulatory debit balance class hearing reserve (Note 10(a)(v)) and disallowed costs of \$369,000 (2024 - \$0) were derecognized. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iii) 2025-27 GRA

The Utility recognizes a regulatory debit balance when the Utility has the right, as a result of the actual or expected actions of the rate regulator, to increase rates in future periods in order to recover its allowable costs plus return on rate base, as described in Note 1(b). The amount recognized represents management's best estimates of revenues for rates to be approved by the YUB less amounts received from customers. As part of the 2025-27 GRA, \$19,567,000 was recognized for increase in revenue requirement in 2025. The ending balance at December 31 comprises the Utility's remaining revenue shortfall to be collected from customers in future years.

(iv) 2023/24 & 2021 GRA's

The Utility recognizes a regulatory debit balance when the Utility has the right, as a result of the actual or expected actions of the rate regulator, to increase rates in future periods in order to recover its allowable costs plus return on rate base, as described in Note 1(b). The amount recognized represents revenues for rates approved by the YUB less amounts received from customers.

The 2023/24 GRA and the 2021 GRA debit balance categories have been combined into one category in the Regulatory debit balance table. The cost balance at December 31, 2023 and the 2024 disposals have both been combined, resulting in an adjusted cost balance at December 31, 2024.

The change in classification was done as each debit balance has the same characteristics and there was no current year activity in the 2021 GRA as the net book value was reduced to \$0 at December 31, 2024.

As part of the 2023/24 GRA, \$5,667,000 was recognized for increase in revenue requirement in 2023. The final decision by the YUB approved \$7,717,000 for 2023. The increase of \$2,050,000 was included in the regulatory provision line in 2024. The 2024 provision also includes the 2024 YUB approved amount of \$15,805,000 and \$2,658,000 transferred from the regulatory debit balance class fuel price adjustment ((Note 10(a)(vi))). The ending balance at December 31 comprises the Utility's remaining revenue shortfall to be collected from customers in future years. The December 31, 2023 balance of \$0.682 million relating to the 2021 GRA was fully collected during 2024.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

a) Regulatory debit balances (continued)

(v) Hearing reserve

The Utility has established a deferral account for regulatory hearing costs to be recovered from or paid to ratepayers in the future. The regulatory provision for the year reflects an annual provision of \$590,000 (2024 - \$250,000) less \$1,004,000 (2024 - \$170,000) of approved costs transferred from Regulatory costs (Note 10(a)(ii)). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

(vi) Fuel price adjustment

OIC 1995/90 directs the YUB to permit the Utility to adjust electricity rates to reflect fluctuations in the price of diesel fuel. The amount by which actual fuel prices vary from the long-term average prices is deferred and recovered from or refunded to customers in a future period through Rider F. As part of the 2023/24 GRA, the balance as at September 30, 2024 of \$2,658,000 was transferred to the regulatory debit balance class 2023/24 GRA (Note 10(a)(iv)). For the period January 1, 2024 to October 31, 2024, the Rider F charge was 0.000 cents per kWh. Effective November 1, 2024, Rider F was decreased to a refund of 0.289 cents per kWh. The Rider F refund was effective until March 31, 2025 at which time it changed back to 0.000 cents per kWh. The Rider F charge remained at 0.000 cents per kWh for the remainder of 2025. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

(vii) Uninsured losses

Uninsured losses is an account maintained to address uninsured and uninsurable losses as well as the deductible portion of insured losses. The account is maintained through an annual provision and collected through customer rates. There is an annual regulatory provision of \$555,000 (2024 - \$411,000) and amortization of the forecast 2024 accumulated balance of \$5,086,000 over ten years (\$509,000 per year) (2024 - forecast 2020 balance of \$2,048,000 over ten years (\$205,000 per year)). During 2025, the Utility recorded insurance proceeds of \$10,128,000 (net of the \$2,000,000 policy deductible) (2024 - \$0). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(viii) Vegetation management

Prior to 2017, the Utility was deferring annual brushing costs in excess of a prescribed maximum annual amount based on a review of prior year brushing costs. In 2017, the Utility established a vegetation management policy and as a result of expected annual costs, deferral is no longer required. The Utility completes a full cycle of all of its brushing requirements every 10 years and is amortizing previously deferred costs over a 10 year period. Effective January 1, 2025, as per Board Order 2026-08, the YUB has directed the Utility to defer any variances between actual 2025 costs and the 2025 approved cost of \$937,000. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(ix) Dam safety

The Utility has a program of conducting safety reviews of its dams in accordance with standards set by the Canadian Dam Association. External consultants are hired every five years with intermittent costs incurred in the interim periods. These costs are being amortized over five years. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

a) Regulatory debit balances (continued)

(x) IPP purchase costs

OIC 2019/25 directs that in setting rates that the Utility is permitted to charge, it is able to recover the costs of purchasing electricity under an electricity purchase agreement with Independent Power Producers ("IPP's"). As such, starting in 2022 the Utility deferred costs to be charged to ratepayers in future years. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(xi) Deferred overhauls

YUB Order 2013-01 restricted inclusion of property, plant and equipment overhaul depreciation expense in rates charged to customers until the Utility comes before the YUB for a prudence review. As such, starting in 2013 the Utility deferred depreciation expense related to overhauls. In 2017, the Utility came before the YUB for a prudence review and began to recognize these deferred depreciation amounts. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

b) Regulatory credit balances

	Deferred Insurance Proceeds (i)	Low Water Reserve Fund (ii)	Future Removal and Site Restoration (iii)	Contracts with Customers (iv)	McQuesten Substation (v)	Defined Benefit Pension (vi)	Total
Cost:							
At December 31, 2023	\$16,102	\$15,687	\$ 2,037	\$ 4,964	\$ 3,874	\$ 86	\$42,750
Costs incurred	-	-	-	-	-	-	-
Regulatory provision	-	(3,067)	-	(96)	1,002	(22)	(2,183)
Interest	-	1,641	-	-	-	-	1,641
Contributions received	-	(79)	-	-	-	-	(79)
At December 31, 2024	\$16,102	\$14,182	\$ 2,037	\$ 4,868	\$ 4,876	\$ 63	\$42,129
Costs incurred	-	-	-	-	-	-	-
Regulatory provision	-	(22,428)	-	(97)	1,005	17	(21,503)
Interest	-	593	-	-	-	-	593
Contributions received	-	(225)	-	-	-	-	(225)
At December 31, 2025	\$16,102	\$ (7,878)	\$ 2,037	\$ 4,771	\$ 5,881	\$ 80	\$20,994
Accumulated amortization:							
At December 31, 2023	\$ 8,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,210
Amortization	260	-	-	-	-	-	260
Disposals	-	-	-	-	-	-	-
At December 31, 2024	\$ 8,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,470
Amortization	1,762	-	-	-	-	-	1,762
Disposals	-	-	-	-	-	-	-
At December 31, 2025	\$10,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,232
Net book value:							
At December 31, 2024	\$ 7,632	\$14,182	\$ 2,037	\$ 4,868	\$ 4,876	\$ 63	\$33,658
At December 31, 2025	\$ 5,870	\$ (7,878)	\$ 2,037	\$ 4,771	\$ 5,881	\$ 80	\$10,761
Net decrease (increase) in regulatory credit balances (which are recognized in the net movement in regulatory account balances related to net income on the Statement of Operations and Other Comprehensive Income):							
At December 31, 2024	\$ 260	\$ 1,505	\$ -	\$ 96	\$ (1,002)	\$ 23	\$ 882
At December 31, 2025	\$ 1,762	\$22,060	\$ -	\$ 97	\$ (1,005)	\$ (17)	\$ 22,897
Remaining recovery years:							
At December 31, 2024	12 years	Indeterminate	Indeterminate	43 years	49 years	Indeterminate	
At December 31, 2025	11 years	Indeterminate	Indeterminate	42 years	48 years	Indeterminate	
Absent rate regulation, net income for the year and net movement in regulatory account balances on the Statement of Operations and Other Comprehensive Income would decrease (increase) by:							
At December 31, 2024	\$ (260)	\$ (1,505)	\$ -	\$ (96)	\$ 1,002	\$ (23)	\$ (882)
At December 31, 2025	\$ (1,762)	\$ (22,060)	\$ -	\$ (97)	\$ 1,005	\$ 17	\$ (22,897)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

b) Regulatory credit balances (continued)

(i) Deferred insurance proceeds

The deferred insurance proceeds represents a gain on fire insurance proceeds related to a fire at the Whitehorse Rapids Generating Station in 1997 which is being amortized to income at the same rate as depreciation of the related replacement assets, and a gain on insurance proceeds related to damage to the Lewes River Boat lock in 2021 which is being amortized to income equally over three years starting in 2025. In the absence of rate regulation, IFRS requires the gain to have been fully recognized as income in the year received.

(ii) Low water reserve fund

The Low Water Reserve Account ("LWRF") was established by YUB Order 2018-10. The LWRF is used to protect the Utility and ratepayers for costs associated with variability in thermal generation required when there is a thermal cost variance due solely to water-related hydro generation variances from YUB approved GRA forecasts. The Utility is required to file annual reports with the YUB on the LWRF's activity.

In accordance with YUB Order 2015-01, the Utility defers recognition of the additional amounts collected from rate payers when the cost of thermal consumed in the period is less than the long-term average thermal requirements estimated for the actual annual generation load. These deferred amounts are recognized as revenue in the period when the cost of thermal incurred for the period is greater than the long-term average thermal requirements and the reason for the shortfall is a shortage of water in the hydro system. There is a cap of +/- \$16 million for the LWRF. If the balance falls outside of this range, the Utility is to make an application to the YUB requesting recovery or a refund to customers through Rider E. YUB Order 2019-02 set the refund rider to 0.00 cents/kWh effective April 1, 2019. YUB order 2024-15 set the refund rider to 0.128 cents/kWh effective for the period November 1, 2024 to March 31, 2025, at which time it changed back to 0.000 cents per kWh. Rider E remained at 0.000 cents per kWh for the remainder of 2025. In the absence of rate regulation, IFRS would require any amounts earned or incurred related to the LWRF to be included in the Utility's net income in the year incurred.

(iii) Future removal and site restoration costs

The Utility maintains a regulatory provision for future removal and site restoration related to property, plant and equipment, which is incremental to that required to be recognized as an asset retirement provision under IAS 37. The reserve has been established through amortization rates based upon depreciation studies conducted periodically by the Utility.

Costs of dismantling capital assets, including site remediation, will be applied to this regulatory credit balance if they do not otherwise relate to an asset retirement provision. The period over which the provision will be reduced is dependent on the timing of future costs of demolishing, dismantling, tearing down, site restoration or otherwise disposing of the asset net of actual recoveries, and is therefore indeterminate. In the absence of rate regulation, IFRS requires these costs to be expensed or included in the gain or loss on disposal of the related property, plant and equipment, as applicable.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

b) Regulatory credit balances (continued)

(iv) Contracts with customers

Effective January 1, 2018 the Utility adopted IFRS 15, *Revenue from Contracts with Customers*. As a result of the impacts of IFRS 15, certain revenues are recognized in net income over a shorter period than allowed by the YUB for rate-setting purposes. The timing difference is reflected as a regulatory credit balance.

(v) McQuesten substation

YUB Order 2022-03 required the Utility to create a separate asset class for certain assets constructed at the McQuesten Substation relating to the Victoria Gold connection. These assets were required to be amortized over the mine life as opposed to the useful life of the assets. The timing difference is reflected as a regulatory credit balance. The regulatory provision will accumulate over 12 years and then be amortized to offset the depreciation of the substation over its remaining useful life.

(vi) Defined benefit pension

The Utility has established a deferral account to accumulate differences from approved pension funding versus actual funding requirements. The regulatory provision will be determined through a future regulatory proceeding. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(c) Regulatory account expenses

Regulatory account expenses represent costs incurred related to regulatory account debit balances of \$10,452,000 (2024 - \$15,941,000) and regulatory account credit balances of \$0 (2024 - \$0).

(d) Net movement in regulatory balances related to net income

Net movement in regulatory balances related to net income is \$23,198,000 (2024 - \$15,656,000) represents the adjustment to net income for the year before net movement in regulatory balances for the effects of rate regulation in accordance with IFRS 14. The net movement figure is comprised of an increase of \$304,000 for regulatory account debit balances and a decrease of \$22,897,000 for regulatory account credit balances for rate regulation compared to the amounts that are recognized under IFRS. The net movement figure for 2024 is comprised of an increase of \$14,776,000 for regulatory account debit balances and a decrease of \$881,000 for regulatory account credit balances respectively for rate regulation compared to the amounts that would be recorded under IFRS absent rate regulation.

(e) Rate recovery of mobile diesel rentals

In 2025, an intervenor in Yukon Energy's 2023/24 General Rate Application ("GRA") appealed the Yukon Utilities Board's decision that had permitted Yukon Energy to recover, through rates, the cost of renting diesel generators whose combined capacity exceeded the Corporation's existing air emission permits. Yukon Energy secured these rentals to ensure there was adequate, reliable backup capacity to protect public health and safety during emergency N-1 conditions.

On January 19, 2026, the Yukon Court of Appeal allowed the appeal, concluding that the YUB's approval of costs associated with activities not legally permitted under Yukon's environmental legislation was inconsistent with those laws. The Court emphasized that environmental compliance must form part of regulatory decision-making. At the same time, the Court clarified that it was not determining that Yukon Energy should refrain from operating diesel generators in excess of air emission permits during emergency conditions, noting that "the need for the generators is undisputed, situational, and well motivated."

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

10. REGULATORY ACCOUNTS (continued)

(e) Rate recovery of mobile diesel rentals (continued)

As a result of the Court's findings, the matter has been returned to the Yukon Utilities Board for reconsideration. There is no immediate operational impact, and the Utility continues normal business operations while the decision is reviewed.

There remains uncertainty regarding whether any portion of the diesel rental costs could ultimately be required to be repaid through reductions in future rates. The Utility will continue to monitor the matter and will adjust the 2023/24 and 2021 GRA's balance (Note 10(a)(iv)), if it becomes expected that a refund will be required to be repaid. The resolution of this matter could have a material impact on regulatory debit balances.

11. CASH and BANK INDEBTEDNESS

The Utility has cash balances of \$0.2 million (2024 - \$3.5 million).

The Utility has access to a line of credit. Effective December 15, 2025, the line of credit limit was increased temporarily by \$50.0 million to \$200.0 million. The account accrues interest on withdrawals at prime rate minus 0.75% (2024 - prime rate minus 0.75%) per annum. The interest rate risk is minimal.

By agreement the financial institution has a legally enforceable right to set off the outstanding balance under the line of credit by cash balances in other accounts with the same bank. The amount outstanding on the line of credit balance at year end was \$159.7 million (2024 - \$81.5 million).

In the current year, the cash account has been disaggregated from bank indebtedness and is now shown separately on the Statement of Financial Position as the Utility's evolving use of its line of credit means it is no longer expected or intended to be settled on a net basis with bank balances, even though the Utility has a legal right to do so.

For the purposes of the statement of cash flows, the line of credit is classified as financing activities as it is used to fund construction work in progress. In the statement of cash flows, cash is comprised of bank balances.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2025	December 31 2024
Trade payables	33,670	\$ 22,203
Employee compensation	1,641	1,377
Due to related parties (Note 22)	1,509	744
Other	279	271
	\$ 37,099	\$ 24,595

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

13. CONSTRUCTION FINANCING

	December 31 2025	December 31 2024
Construction financing, due December 31, 2026 bearing interest at 3.33% approved to a maximum of \$43.449 million	\$ 43,449	\$ -
Construction financing, due December 31, 2026 bearing interest at 3.74% approved to a maximum of \$7.697 million	7,697	-
Construction financing, due December 31, 2025 bearing interest at 3.74% approved to a maximum of \$47.677 million	-	47,677
	\$ 51,146	\$ 47,677

Construction financing balances are monies advanced from the Parent to assist in the development of the Utility's infrastructure. Interest is payable annually at December 31 and at the maturity date.

A new construction financing agreement of \$7.697 million has been added to assist with working requirements for capital projects on November 12, 2025.

The Utility converted a portion of existing prior year construction financing into new long-term debt in the amount of \$8.840 million (Note 14). The Utility also received a shareholder contribution of \$1.667 million through a non-cash settlement of construction financing. The remaining prior year construction financing was extinguished and replaced with new construction financing of \$43.449 million on December 31, 2025. Included in this new construction financing were non-cash conversions of principal of \$4.523 million and interest payments of \$1.756 million due on long-term debt to the Parent (Note 14).

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

14. LONG-TERM DEBT

The Utility's long-term debt is unsecured and summarized as follows:

	December 31 2025	December 31 2024
Yukon Development Corporation:		
\$3,958,745 term note bearing interest at 1.56% interest only payable monthly, due June 30, 2025.	\$ -	\$ 3,959
\$59,304,273 term note bearing interest at 3.94% repayable in annual installments of \$3,683,800 principal, plus accrued interest with the balance of \$40,885,273 due December 31, 2029	51,937	55,620
\$3,958,745 term note bearing interest at 4.27% interest payable monthly, repayable in annual installments of \$791,749 principal, due June 30, 2030	3,959	-
\$8,840,084 term note bearing interest at 3.77% interest only payable monthly, due December 31, 2030	8,840	-
\$5,505,000 term note bearing interest at 2.40% interest only payable monthly, due December 31, 2039	5,505	5,505
\$20,984,404 term note bearing interest at 2.21%, interest payable monthly repayable in annual installments of \$839,376 principal with the balance due December 31, 2040	12,591	13,430
\$12,136,000 term note bearing interest at 2.95% interest only payable monthly, due December 31, 2041	12,136	12,136
\$2,871,000 term note bearing interest at 2.90% interest only payable monthly, due June 30, 2044	2,871	2,871
\$6,425,000 term note bearing interest at 4.10%. Payable in quarterly installments of \$103,009 interest and principal with the balance due December 21, 2048	6,117	6,274
\$27,254,000 term note bearing interest at 4.30%. Payable in quarterly installments of \$446,114 interest and principal with the balance due October 12, 2049	26,632	27,254
\$21,900,000 flexible term note bearing interest up to 5.46% repayable in annual installments of \$336,923 principal, plus accrued interest with the balance of \$8,423,078 due December 31, 2051 (i)	17,183	17,520
TD Bank:		
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 2.06% per annum. Payable in monthly installments of \$47,918 interest and principal with the balance due on September 28, 2035	\$ 6,108	\$ 6,552
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 3.40% per annum. Payable in monthly installments of \$117,095 interest and principal with the balance due on August 23, 2043	18,645	19,403
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 2.64% per annum. Payable in monthly installments of \$30,868 interest and principal with the balance due on July 14, 2044	5,435	5,659

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

14. LONG-TERM DEBT (continued)

	December 31 2025	December 31 2024
TD Bank (continued):		
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 2.06% per annum. Payable in monthly installments of \$20,478 interest and principal with the balance due on November 4, 2045	4,014	4,175
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 2.88% per annum. Payable in monthly installments of \$35,853 interest and principal with the balance due on April 30, 2046	6,614	6,850
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 4.07% per annum. Payable in monthly installments of \$86,661 interest and principal with the balance due on September 1, 2052	16,924	\$ 17,269
Carmacks Stewart First Nation Liability		
Long-term liability payable to several First Nations related to the building of the Carmacks Stewart Transmission Line. These are non-interest bearing, repayment terms not yet established	141	\$ 141
Champagne and Aishihik First Nations		
On July 21, 2023, the Utility entered into \$1,000,000 Long-term debt associated with the installation of the third hydro turbine at the Aishihik Hydroelectric Generating Station (AGS) and due on July 31, 2048. The interest rate is equal to the Utility's rate of return on equity, and interest payable annually	1,000	\$ 1,000
Long-term debt	\$ 206,652	\$ 205,618
Less: current portion	8,696	11,764
	\$ 197,956	\$ 193,854

(i) \$21,900,000 Flexible Term Note

The terms of the flexible term note provide for a maximum amount of interest payable within a calendar year, calculated based on the actual grid generation on the electrical grid system connected with the Mayo Hydro Enhancement Project. The amount of interest payable as a result of the interest rate exceeding the maximum interest payable will abate forever. The actual interest rate on this flexible note was 5.46% (2024 - 5.46%)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

14. LONG-TERM DEBT (continued)

Long-term debt repayment

The change in long-term debt arising from financing activities during the year related to principal repayments of \$3,283,000 (2024 - \$7,113,000) and the issuance of additional debt in the amount of \$8,840,000 (2024 - \$27,254,000). Payments of principal of \$4,523,000 and interest of \$1,756,000 due on the long-term debt to the Parent were settled through a non-cash conversion to construction financing (Note 13). In addition, a \$3,959,000 term note due on June 30, 2025, was renegotiated and replaced with a new obligation due on June 30, 2030.

Fair value

The fair value of long-term debt at December 31, 2025 is \$202,360,000 (2024 - \$213,303,000). The fair value for all long-term debt including current portions was estimated using discounted cash flows based on an estimate of the Utility's current borrowing rate for similar borrowing arrangements.

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL) announced the decision to cease the publication of Canadian Dollar Offered Rate (CDOR) after June 28, 2024. The impacted derivatives include all interest rate swap agreements with TD Bank. The impacted non-derivatives include the long-term debt held with YDC, TD Bank, and others who have yet to transition, as well as the Minto Decommissioning Fund.

For the TD Bank derivatives, and most long-term debt, the banks providing the Utility with fair value percentages transitioned from the CDOR 1-month to the Canadian Overnight Repo Rate Average (CORRA). The transition resulted in no significant impact on the fair value amount of the interest rate swaps and the long-term debt as the CORRA rates were not significantly different from the CDOR rates which were previously used to calculate fair value.

For the decommissioning fund held at CIBC, interest was based on the CDOR 3-month rate. Subsequent to the transition, interest is now based on the CORRA on the first day of the calendar quarter. The transition had no significant impact on cash and deferred revenue related to the fund as CCORA rates were not significantly different from the CDOR rates which were previously used to calculate cash flows.

The interest rate benchmark reform has not resulted in changes to the Utility's risk management strategy.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

15. POST-EMPLOYMENT BENEFITS

Characteristics of benefit plans

The defined benefit pension plan for employees is regulated by the Office of the Superintendent of Financial Institutions ("OSFI") through the *Pension Benefits Standards Act* and regulations. This Act and accompanying regulations impose, among other things, minimum funding requirements. The executive defined benefit pension plan and supplemental executive retirement plan are not registered with OSFI and are not subject to minimum funding requirements of the Act.

These minimum funding requirements require the Utility to make special payments as prescribed by OSFI to repay any unfunded liability or solvency deficiency that may exist. For the employee defined benefit pension plan the Utility is currently not required to make any special payments.

A committee of the Utility's Board of Directors oversees these plans and is responsible for the investment policy with regard to the assets of these funds.

Employees joining the Utility after January 1, 2002 are not eligible to participate in the employee defined benefit pension plan. The Utility makes contributions to a Registered Retirement Savings Plan ("RRSP") on behalf of these employees and employees hired before January 1, 2002 who belonged to the employee defined benefit plan and elected to opt out of that plan. The RRSP is a defined contribution retirement plan. The costs recognized for the period are equal to the Utility's contribution to the plan. During 2025, these were \$1,029,000 (2024 - \$836,000).

Risks associated with defined benefit plans

The defined benefit pension plans expose the Utility to risk such as investment risk and actuarial risk. Investment risk is the risk that the assets invested will be insufficient to meet expected benefits. Actuarial risk is the risk that benefits paid will be more than expected. There are no particular unusual, entity-specific or plan-specific risks or any significant concentration of risk.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

15. POST-EMPLOYMENT BENEFITS (continued)

Net defined benefit liability (asset):

	December 31 2025	December 31 2024
Present value of benefit obligations		
Balance, beginning of year	\$ 23,781	\$ 23,894
Employee contributions	21	21
Current service cost	90	88
Interest cost	1,094	1,077
Benefits paid	(1,218)	(1,143)
Actuarial (gains) losses on experience	(682)	(233)
Actuarial (gains) losses on demographic assumptions	(115)	(5)
Actuarial (gains) losses on financial assumptions	(340)	82
Balance, end of year	\$ 22,631	\$ 23,781
Fair value of plan assets		
Balance, beginning of year	23,913	23,006
Interest income on plan assets	1,099	1,035
Gains (losses) on plan assets	59	879
Employee contributions	21	21
Employer contributions	215	191
Benefits paid	(1,218)	(1,143)
Administrative costs	(82)	(76)
Balance, end of year	\$ 24,007	\$ 23,913
Effect of asset ceiling	(1,288)	(91)
Net defined benefit (asset) liability	\$ (88)	\$ (41)

The net defined benefit (asset) liability includes a post-employment benefits asset of \$712,000 (2024 - \$676,000) and a post-employment benefits liability of \$624,000 (2024 - \$635,000).

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

15. POST-EMPLOYMENT BENEFITS (continued)

Components of benefit plan cost:

	December 31 2025	December 31 2024
Current service cost	\$ 90	\$ 88
Interest cost	1,094	1,077
Interest income on plan assets	(1,099)	(1,035)
Administrative costs	82	76
Interest cost on effect of asset ceiling	4	4
Defined benefit expense in Statement of Operations	171	210
Defined contribution expense	1,029	836
Total benefit expense in Statement of Operations	\$ 1,200	\$ 1,046
Actuarial losses (gains) on obligation	(1,136)	(156)
(Gains) losses on plan assets	(59)	(879)
Effect of asset ceiling	1,192	14
Total re-measurements included in Other Comprehensive Income	\$ (3)	\$ (1,021)
Total benefit costs recognized in Statement of Operations and Other Comprehensive Income	\$ 1,197	\$ 25

Distribution of plan assets of defined benefit pension plans

In October 2024 an annuity buy-in was purchased for the retired members of the Plan with a liability assumption date of January 1, 2025. Assets of \$15.152 million were redeemed to facilitate the purchase.

The fair value of the defined benefit pension plans' equity and fixed income assets are based on market values as reported by the defined benefit pension plans' custodians as at each applicable Statement of Financial Position date. The value of the annuity buy-in is valued by present valuing expected future cash inflows at year-end using the discount rate for the accrued benefit obligation. The distribution of assets by major asset class is as follows:

	December 31 2025	December 31 2024
Equities	16.5 %	14.9 %
Fixed income securities	16.6 %	14.1 %
Real estate	8.2 %	7.0 %
Annuity buy-in	58.7 %	64.0 %

Significant assumptions:

Discount rate - accrued benefit obligation	4.9 %	4.7 %
Assumed rate of compensation increase	3.0 %	3.0 %
Pension growth	2.0 %	2.0 %

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

15. POST-EMPLOYMENT BENEFITS (continued)

Sensitivity analysis of the defined benefit pension plans:

The sensitivities of each key assumption used in measuring accrued benefit obligations at each Statement of Financial Position date have been calculated independently of changes in other key assumptions. Actual experience may result in changes in a number of assumptions simultaneously. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The mortality assumptions are based on the 2014 Canadian Pensioner Mortality Private Table projected with full generational mortality improvements using scale MI-2017.

At December 31, 2025, assumption and sensitivity to the recognized post-employment benefits liability is as follows:

	+1%	-1%	+1%	-1%
Discount rate	-10 %	12 %	\$ (2,298)	\$ 2,771
Salary growth	0.2 %	-0.2 %	\$ 51	\$ (50)
Pension growth	12 %	-10 %	\$ 2,745	\$ (2,317)
Life expectancy (1 year movement)	3 %	-3 %	\$ 595	\$ (606)

At December 31, 2024, assumption and sensitivity to the recognized post-employment benefits liability is as follows:

	+1%	-1%	+1%	-1%
Discount rate	-11 %	13 %	\$ (2,528)	\$ 3,071
Salary growth	0.2 %	-0.2 %	\$ 48	\$ (46)
Pension growth	13 %	-11 %	\$ 3,017	\$ (2,530)
Life expectancy (1 year movement)	3 %	-3 %	\$ 613	\$ (623)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same that is applied in calculating the defined benefit obligation liability recognized in the Statement of Financial Position.

The Utility pays the balance of the cost of the employee benefit plan over the employee contributions, as determined by the actuary. Members are required to contribute 3.5% of earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 5% of earnings above the YMPE. Permanent part-time members will have required contributions as above multiplied by their permanent part-time service ratio. Employees can make additional contributions to purchase ancillary benefits. Members choose the ancillary benefit on termination of service or on retirement.

The average duration of the benefit obligation is 11.4 years (2024 - 11.9 years). The Utility expects to make payments of \$136,900 (2024 - \$202,800) to the defined benefit plans during the next financial year.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

16. CONTRIBUTIONS IN AID OF CONSTRUCTION

	Government of Canada	Parent since 1998	Yukon Government since 1998	Pre-1998 contributions	Total
Cost:					
At December 31, 2023	\$ 103,583	\$ 89,730	\$ 12,422	\$ 1,739	\$ 207,474
Additions	2,970	-	-	-	2,970
At December 31, 2024	\$ 106,553	\$ 89,730	\$ 12,422	\$ 1,739	\$ 210,444
Additions	241	-	-	-	241
At December 31, 2025	\$ 106,794	\$ 89,730	\$ 12,422	\$ 1,739	\$ 210,685
Accumulated amortization:					
At December 31, 2023	\$ 12,863	\$ 19,464	\$ 3,339	\$ 1,639	\$ 37,305
Amortization	1,359	1,712	201	45	3,317
At December 31, 2024	\$ 14,222	\$ 21,176	\$ 3,540	\$ 1,684	\$ 40,622
Amortization	1,360	1,610	202	43	3,215
At December 31, 2025	\$ 15,582	\$ 22,786	\$ 3,742	\$ 1,727	\$ 43,837
Net book value:					
At December 31, 2024	\$ 92,331	\$ 68,554	\$ 8,882	\$ 55	\$ 169,822
At December 31, 2025	\$ 91,212	\$ 66,944	\$ 8,680	\$ 12	\$ 166,848

17. DEFERRED REVENUE

	Decommissioning Fund	Customer Contributions	IPP Contracts	Total
At December 31, 2023	\$ 3,029	\$ 14,704	\$ 1,733	\$ 19,466
Additions (refunds)	153	1,670	(66)	1,757
Revenue recognized in Sales of Power and Other Revenue	-	(1,210)	60	(1,150)
At December 31, 2024	\$ 3,182	\$ 15,164	\$ 1,727	\$ 20,073
Additions (refunds)	91	468	(69)	490
Revenue recognized in Sales of Power and Other Revenue	-	(1,333)	(178)	(1,511)
At December 31, 2025	\$ 3,273	\$ 14,299	\$ 1,480	\$ 19,052

The decommissioning fund represents monies paid in advance by an industrial customer to decommission the spur line that connects its operation to the Utility's grid. This money accrues interest at the rate of the Canadian Overnight Repo Rate Average ("CORRA"). This amount will be recognized to revenue when the fund is used to decommission the line.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

17. DEFERRED REVENUE (continued)

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied as at December 31, 2025:

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Decommissioning fund	\$ -	\$ -	\$ 3,273	\$ 3,273
Customer contracts	2,009	6,665	5,625	14,299
IPP contracts	139	303	1,038	1,480
	\$ 2,148	\$ 6,968	\$ 9,936	\$ 19,052

At December 31, 2024 - the current portion of deferred revenue of \$2,484,000 consisted of customer contracts (\$2,176,000) and IPP contracts (\$308,000).

18. SALES OF POWER

	2025	2024
Wholesale	\$ 70,544	\$ 54,572
Industrial	13,054	13,305
General service	13,006	12,316
Residential	5,485	4,992
Secondary sales	136	495
Sentinel and street lights	175	163
	\$ 102,400	\$ 85,843

19. OTHER REVENUE

Included in other revenue, the Utility recognized \$117,000 (2024 - \$60,000) in other revenue related to IPP contracts.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

20. OPERATIONS AND MAINTENANCE EXPENSES

	2025	2024
Fuel	\$ 45,628	\$ 19,754
Regulatory account expenses (Note 10(c))	10,452	15,941
Wages and benefits	9,666	9,030
Rent	7,600	6,779
Contractors	3,372	3,886
Materials and consumables	2,559	2,219
Capital project studies (Note 10(a)(i))	1,137	-
Travel	625	479
Communication	105	101
Loss on asset disposals	-	762
	\$ 81,144	\$ 58,951

21. ADMINISTRATION EXPENSES

	2025	2024
Wages and benefits	\$ 9,846	\$ 8,932
Insurance and taxes	3,583	3,355
External labour	3,246	3,040
Materials, consumables and general	1,611	1,305
Licences and fees	1,194	1,371
Travel	313	270
Board fees	110	121
	\$ 19,903	\$ 18,394

Included in materials, consumables and general, the Utility recognized a provision of \$399,000 (2024 - \$0) relating to an allowance for doubtful accounts (Note 5).

22. RELATED PARTY TRANSACTIONS

The Utility is related in terms of common ownership to all YG departments, agencies and Territorial Corporations. Transactions are entered into in the normal course of operations with these entities. All sales of power transactions are recorded at the rates approved by the YUB. Sales of power transactions directly with YG are \$2,824,000 (2024 - \$2,833,000). Expenses transactions directly with YG are \$559,000 (2024 - \$166,000).

Electrical rebate program revenues are received from YDC in accordance with terms established by YG which established the program to protect certain ratepayers. These revenues are included in sales of power on the Statement of Operations and Other Comprehensive Income.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

22. RELATED PARTY TRANSACTIONS (continued)

The following table summarizes the Utility's related party transactions with YDC for the year:

	2025	2024
Revenue		
Rate subsidy	\$ 209	\$ 379
Operating expenses		
Interest expense	7,390	6,975
Other receipts		
Construction financing	7,697	-
Long-term debt	-	27,254
Other payments/deductions		
Repayment of long-term debt	1,117	5,011

In addition to the above transactions, the Utility entered into certain non-cash financing transactions with YDC during the year (Note 13 and Note 14).

At the end of the year, the amounts receivable from and due to related parties are as follows:

	December 31 2025	December 31 2024
YDC:		
Accounts receivable	\$ 203	\$ 2,388
Accounts payable	956	737
Construction financing	51,146	47,677
Current portion of long-term debt	6,465	9,599
Long-term debt	141,304	134,971
YG:		
Accounts receivable	\$ 230	\$ 500
Accounts payable	553	7

Included in Accounts receivable from YDC is an amount of \$124,000 for capital projects funded by the federal government, which are administered through YG and YDC (2024- \$2,329,000). These balances are non-interest bearing and payable on demand except for construction financing and long-term debt.

Transactions with Key Management Personnel

The Utility's key management personnel include eight senior management team positions and fourteen Board of Directors positions. Key management personnel compensation is as follows:

	2025	2024
Short-term employee benefits	\$ 2,097	\$ 1,893
Post-employment benefits	177	134
	\$ 2,274	\$ 2,027

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

23. COMMITMENTS

Contractual obligations

The Utility has entered into contracts to purchase products or services for which the liability has not been incurred as at December 31, 2025 as the product or service had not been provided. The following table summarizes the nature of the commitments:

	2025	2024
Property, plant and equipment	\$ 77,476	\$ 30,096
Other products or services	8,127	12,359
Intangible assets	2,328	814
	\$ 87,931	\$ 43,269

The Utility expects to fulfill contractual obligations of \$86,481,000 in 2026 and \$1,450,000 in 2027.

24. CONTINGENCIES

Due to the nature of the Utility's operations, various claims are pending. In the opinion of management, these matters are not expected to have a material effect on the Utility's financial position or results of operations. To avoid prejudicing these claims, no further information is disclosed.

Asset Retirement Obligations

The Utility has not recognized a provision for the closure and restoration obligations for generation, transmission and distribution assets which the Utility anticipates maintaining and operating for an indefinite period, making the date of retirement of these assets indeterminate. A provision will be recognized when the timing of the retirement of these assets can be reasonably estimated.

25. PROVISION FOR ENVIRONMENTAL LIABILITIES

The Utility's activities are subject to various federal and territorial laws and regulations governing the protection of the environment or to minimize any adverse impact thereon. The Utility conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

The Utility has conducted environmental site assessments at all its diesel plant sites. No significant environmental contamination was found. As at December 31, 2025 no significant provisions for environmental liabilities, for which a legal obligation exists to remediate, have been identified by the Utility. The Utility has its Environmental Management System to monitor and assess previous and potential existing environmental liabilities on an ongoing basis. The Utility does not have a provision for environmental liabilities as there is no significant present obligation to remediate.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

At December 31, 2025, the Utility's financial instruments included accounts receivable, bank indebtedness, accounts payable and accrued liabilities, construction financing, long-term debt, interest rate swaps and lease liabilities. The fair values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and construction financing approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Interest rate swaps are financial contracts that derive their value from changes in an underlying variable. The fair value of the interest rate swaps is estimated using standard market valuation techniques and is provided to the Utility by the financial institution that is the counterparty to the transactions.

Interest rate risk

Interest rate risk is the risk that future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Utility's future cash flows are not exposed to significant interest rate risk due to its long-term debt having fixed interest rates, with the exception of the Bankers' Acceptances from the TD Bank. The Bankers' Acceptances have had the variable rate converted to a fixed rate using an interest rate swap to eliminate the interest rate risk.

The fair value of the interest rate swap agreements on December 31, 2025 was an asset of \$2,896,000 (2024 - \$655,000). The increase in the fair value in 2025 of \$2,241,000 (2024 – decrease of \$1,750,000) is recognized on the Statement of Operations and Other Comprehensive Income as an unrealized gain (2024 - unrealized loss). A 100 basis point increase or decrease in the interest rate assumption would have resulted in an increase/decrease in the interest rate swap agreements fair value of \$8,237,000 (2024 - \$5,930,000).

The Utility has access to a line of credit as described in Note 11 and a lease liability as described in Note 9.

Credit risk

Credit risk is the risk of failure of a debtor or counterparty to honour its contractual obligations resulting in financial loss to the Utility. The following table illustrates the maximum credit exposure to the Utility if all counterparties defaulted:

	December 31 2025	December 31 2024
Accounts receivable	\$ 36,089	\$ 27,537
	\$ 36,089	\$ 27,537

Credit risk on accounts receivable is generally considered minimal as the Utility has experienced insignificant bad debt in prior years. Its primary customer is a rate regulated utility that purchases power from the Utility for resale and as such these receivables are considered fully collectible. Included in the accounts receivable past due but not impaired at December 31, 2025 is \$4,831,000 (2024 - \$10,364,000). In addition, there is \$4,015,000 (2024 - \$0) from one customer that is past due and impaired. This customer is currently in receivership and working on asset liquidation. The recovery of any amount owing will not occur until after the liquidation is completed. The timing and certainty of a full recovery is unknown, and a wide range of outcomes are possible. However, based on other assets held, the nature of the receivables, and management's judgment and assessment, as at December 31, 2025, an allowance provision of \$399,000 (2024 – \$0) has been recognized. The Corporation continuously monitors the credit quality of its customers and has not identified any systemic deterioration in the retail customer portfolio. The provision recorded relates solely to the individual customer event described above. No other significant increases in credit risk were noted as at the reporting date.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Utility will not be able to meet its financial obligations as they fall due. The Utility manages liquidity risk through regular monitoring of cash and currency requirements by preparing cash flow forecasts to identify financing requirements. The Utility's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Utility's reputation.

The Utility's largest current liability is bank indebtedness. The utility uses a line-of-credit for construction financing purposes. When a project is completed, financing is transitioned to long-term debt and equity. In addition, rate regulation assists the Utility with liquidity management by providing consistent revenues and a consistent debt to equity ratio.

Undiscounted cash flows of financial liabilities

	Less than 1 year or on demand	Between 1 and 5 years	More than 5 years
Bank indebtedness - line of credit	\$ 165,658	\$ -	\$ -
Accounts payable and accrued liabilities	37,099	-	-
Construction financing	52,881	-	-
Lease liability	216	346	-
Long-term debt	16,312	103,996	169,178
	\$ 272,166	\$ 104,342	\$ 169,178

Fair values

The following table illustrates the fair value hierarchy of the Utility's financial instruments as at December 31, 2025:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related asset	\$ -	\$ 2,896	\$ -	\$ 2,896
Long-term debt	-	-	208,860	\$ 208,860

The following table illustrates the fair value hierarchy of the Utility's financial instruments as at December 31, 2024:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related asset	\$ -	\$ 655	\$ -	\$ 655
Long-term debt	-	-	213,303	\$ 213,303

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31, 2025

27. CAPITAL MANAGEMENT

For financial reporting purposes, the Utility's capital is its shareholder's equity which is comprised of share capital, contributed surplus and retained earnings. The Utility manages its equity by managing revenues, expenses, assets and liabilities to ensure the Utility effectively achieves its objectives while remaining a going concern.

There were no changes in the Utility's approach to capital management during the period. The Utility paid dividends of \$0 (2024 - \$0). The Utility received a shareholder contribution of \$1.667 million (2024 - \$10.600 million) through a non-cash settlement of construction financing (see Note 13).



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