



Yukon Development Corporation
Annual Report
2025



Cover Photo:
Whitehorse in winter

Photo credit:
Government of Yukon

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Message from the Chair



Across Yukon, people rely on safe, dependable electricity every day - at home, at work, and in their communities. As we face growing demand and increasing strain on existing infrastructure, the work of YDC has never been more important. In 2025, we continued to take meaningful steps to ensure Yukon's energy future is reliable, affordable, and sustainable.

A key focus this year has been advancing the Yukon-B.C. Grid Connect project – a proposed ~800-kilometer transmission line connecting the Yukon's electrical grid to the B.C. system. The project has gained recognition across Canada for the important nation-building benefits to Yukoners, British Columbians and all Canadians.

We also saw continued progress in community-based renewable energy. First Nation-led renewable energy projects in Beaver Creek and between Burwash Landing and Destruction Bay demonstrate the importance of First Nation leadership and strong partnerships to reducing diesel-reliance and strengthening energy resilience in Yukon communities.

Supporting affordability for Yukoners remains a priority. YDC worked closely with the Government of Yukon on electricity affordability measures to help reduce costs during the winter months, while ensuring the system remains stable and reliable.

The Yukon's energy challenges are real. During one of the coldest Decembers in recent memory, electricity demand reached over 90 percent of total generation capacity. I want to recognize the frontline workers at Yukon Energy Corporation and ATCO Electric Yukon who worked tirelessly to keep the lights on during this period. Their dedication underscores both the strength of our current system and the urgent need to continue investing in its future.

Looking ahead, meeting Yukon's energy needs will require partnership, commitment, and sustained focus. I would like to thank my fellow Board members for their guidance, the staff of YDC for their professionalism, and our partners across governments, First Nations, and industry. Together with Yukon Energy, we are building a strong foundation for the future.

Doug Janzen
Chair

Message from the President



I am excited to be joining the Yukon Development Corporation (YDC) as appointed President at such an important time.

This past year has reinforced both the opportunities and challenges facing Yukon's energy system. Demand continues to grow - especially in winter - and tackling this challenge will take long-term thinking, strong partnerships, and clear priorities. YDC plays a unique role in bringing people and organizations together to advance solutions that benefit all Yukoners. That role will be strengthened by greater integration with Government of Yukon operations.

Our focus moving forward is clear: to ensure reliable power through dependable generation and to advance the Yukon-B.C. Grid Connect project.

We have laid the governance groundwork with agreements between the governments of Yukon and B.C. as well as between YDC and BC Hydro. We have had positive early discussions with potential First Nation partners. And we have assessed the potential economic, environmental and social benefits of an interjurisdictional transmission line, published in our *Shared Grid/ Shared Benefits* report.

The next phase is to initiate strong energy system planning, where we forecast the territory's energy demand and assess generation and transmission options available to us to meet immediate and future energy needs. I look forward to working with First Nations, utilities and private sector proponents in this process.

Affordability will remain a key focus. We continue to work in partnership with the Government of Yukon on electricity affordability measures to help reduce costs for Yukoners while maintaining a reliable system.

In the last year we have increased our YDC staffing levels to meet emerging requirements. We also introduced a refreshed YDC brand to better reflect our role in Yukon's energy future - connecting people, ideas, and investments to move projects forward.

The path ahead will require sustained effort and collaboration. Together, we are building a more resilient, reliable, and sustainable energy future for Yukoners. I want to thank all those who are taking part.

Shane Andre

YDC President (Acting)

Organizational Overview

Yukon Development Corporation (YDC) is a Territorial Corporation created in 1986 by the Yukon Development Corporation Act. We are governed by a Board of Directors appointed by the Yukon government and have a legislative mandate to participate with the private sector in the economic development of Yukon. In particular, the Act mandates the corporation to:

- Develop and promote the development of Yukon resources on an economic and efficient basis;
- Promote employment and business opportunities for territorial residents;
- Assure a continuing and adequate supply of energy in a manner consistent with sustainable development; and
- Implement development policy directives issued to it by the Yukon Cabinet.

Order-in-Council 1993/107 restricted the corporation's role to energy-related activities designed to promote the economic development of Yukon, and to:

- Assure a continuing and adequate supply of energy;
- Alleviate the effects of any energy shortage that may occur; and
- Promote the establishment, development and operation within Yukon of industries or undertakings that are by their nature energy-dependent through the provision of cost-effective energy or energy-related infrastructure.

Board of Directors

Doug Janzen (Chair)
Astrid Grawehr (Vice – Chair)
John Glynn-Morris (Governance Chair)
George Morgan (Audit Committee Chair)
Tiana Lemon
Keith Jacobsen - April 20, 2026
Kerry Newkirk - April 20, 2026
Alan Lebedoff - April 20, 2026
Ethan LaValee - April 20, 2026

Board of Directors' Appointments

The Board of the Yukon Development Corporation is appointed by the Yukon government.

YDC Audit Committee

George Morgan (Chair)
John Glynn-Morris
Astrid Grawehr
Doug Janzen

Keith Jacobsen
Alan Lebedoff

YDC Governance Committee

John Glynn-Morris (Chair)
Astrid Grawehr
Doug Janzen
Tiana Lemon
Kerry Newkirk

Senior Management and Officers

Shane Andre, President (Acting)
Jan Gabrielle Perez, Corporate Secretary
Kaitlyn Bouvier, Chief Financial Officer

Year in Review

1. Ensuring the adequate supply of energy

a. Yukon-British Columbia Grid Connect project

The Yukon-B.C. Grid Connect project is a proposed ~800-kilometer transmission line connecting Yukon's isolated electrical grid to the North American grid through Bob Quinn Lake, B.C. The project is currently advancing through the feasibility phase, with \$40 million in funding from Canada's Critical Minerals Infrastructure Fund and \$13 million from the YDC Fund.

In 2025, YDC engaged outside experts in economics, energy policy and engineering to assess the clean growth and energy security benefits of a Northwestern energy corridor. The ensuing *Shared Grid/ Shared Benefits* report highlighted the tremendous potential of creating a connected grid, including tens of thousands of long-term Canadian jobs, a two-way market for electricity strengthening the Yukon's energy security and new opportunities for First Nations to partner and invest in northern energy projects.

The Yukon-B.C. Grid Connect project was referred to Canada's Major Projects Office as part of the Northwest Critical Conservation Corridor strategy. Building on this, YDC is currently engaging in energy system planning as the next phase of project feasibility.

b. Innovative Renewable Energy Initiative

Yukon Development Corporation has supported the development of renewable energy projects through its Innovative Renewable Energy Initiative (IREI). IREI has provided funding for First Nation, and community-led renewable energy projects that generate electrical or heat energy and are based in the Yukon.

The initiative was established in the Government of Yukon's 2017/18 fiscal year. The Government of Yukon extended the program an additional year by providing \$1.5 million in funding after which the program ended.

For the life of IREI over sixty-five renewable energy projects have been funded in every region of the territory. In the Corporation's 2025 fiscal year, in addition to administration fees of \$0.2 million, IREI supported a variety of projects, both on and off the Yukon Integrated System, including the projects listed in Table 1.

Table 1: Innovative Renewable Energy Initiative Projects, 2025.

Proponent	Project	Project Location
Chu Níkwän Limited Partnership	Net-Zero cold storage	Whitehorse
Yukon Energy Corporation	Yukon Integrated System Resource Adequacy Study	Whitehorse
Yukon Energy Corporation	Long-term Load Forecast Phase 1 - Economic Forecast	Whitehorse
Vuntut Gwitchin First Nation	Old Crow Biomass Project	Old Crow
Teslin Tlingit Council	Teslin Biomass District Heating Enhancement Project	Teslin
Teslin Tlingit Council	Biomass District Heating Phase 2 Expansion	Teslin
Northern Vision Development	District Energy Ready Building	Whitehorse
Selkirk First Nation	Renewable Heat Options Assessment	Pelly Crossing
Yukon Motel	Wood chip heat generation and Distribution	Teslin
Vuntut Gwitchin First Nation	Old Crow Wind Feasibility	Old Crow
Village of Carmacks	Closed-Loop Waste Management System	Carmacks
Solvest Inc.	Powerpod Prototype Development	Whitehorse
Solstice Clean Energy Cooperative Ltd.	Pumped Hydro Storage Pre-Feasibility Study	Whitehorse
Massif Energy Ltd.	Carmacks Wind Project Exploration	Carmacks
Chu Níkwän Limited Partnership	Mount Sumanik	Whitehorse
Selkirk Development Corp	Fort Selkirk Run of River RivGen	Fort Selkirk

IREI funding has contributed to the completion of multiple projects that are now selling energy to a public utility through the Independent Power Production policy, including:

- Kluane N'tsi Wind Energy Project
- Haeckel Hill Wind
- Sree Vyaa Solar – Old Crow Solar
- Beaver Creek Solar
- Dome Road Solar
- Mt Sima Solar
- Sunergy Haines Junction Solar field, and
- Takhini Solar Project

c. Investing in Canada Infrastructure Program

The Investing in Canada Infrastructure Program (ICIP) is the Government of Canada's vehicle for delivering the Investing in Canada Plan. The sixteen-year funding agreement is held by Infrastructure Development Branch under Government of Yukon Department of Community Services.

Yukon Development Corporation has supported various projects under ICIP. There are two projects currently active and that will be completed in the 2026-2027 fiscal year.

Project Title	Project Proponent	Funding Approval
Grid-scale Battery Energy Storage System (BESS)	Yukon Energy Corporation	\$16.5 M
Sādeḡ Initiative (Watson Lake Solar)	First Kaska Utilities LP	\$18 M

2. Addressing energy affordability

a. Energy Affordability Rebates

The Winter Electrical Affordability Rebate was introduced in 2025 to focus electrical affordability initiatives on the winter months when electricity bills are normally the highest. The rebate provided 3.377 cents per kilowatt hour, with a maximum of \$33.77 per month during winter months (October 2025 to March 2026), up from \$22.62 per month under the previous rebate program.

The rebate was applied automatically to customer electricity bills by their electrical provider.

b. Independent Power Production Policy

The Independent Power Production policy enables entrepreneurs, communities, and Yukon First Nation governments to generate renewable energy and sell it to the main electrical grid or micro-grid in diesel-dependent communities.

Yukon Development Corporation

Consolidated Financial Statements

December 31, 2025

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June 18, 2026

Management's Responsibility for Financial Reporting

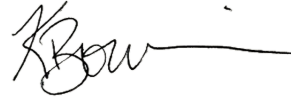
Management is responsible for the preparation of these consolidated financial statements in conformity with International Financial Reporting Standards and all other financial information relating to the Corporation contained in this annual report. These consolidated financial statements have been prepared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

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 ensure that management is carrying out its responsibilities and to review the consolidated financial statements. The auditors have full and free access to the Audit Committee and management.

A handwritten signature in black ink, appearing to read "Shane Andre", written in a cursive style.

Shane Andre
A/President and CEO

A handwritten signature in black ink, appearing to read "K. Bouvier", written in a cursive style.

Kaitlyn Bouvier
Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Development Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

In our opinion, the transactions of the Yukon Development Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Yukon Development Corporation Act*, we report that, in our opinion, the accounting principles in IFRS Accounting Standards as issued by the IASB have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Yukon Development Corporation and the consolidated financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Yukon Development Corporation's compliance with the specified authorities named above, and for such internal control as management determines is

necessary to enable the Yukon Development 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 consolidated 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
18 June 2026

Yukon Development Corporation

Consolidated Statement of Financial Position

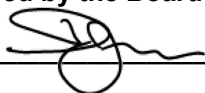
(in thousands of Canadian dollars)

December 31,	2025	2024
Assets		
Current		
Cash (Note 5)	\$ 3,878	\$ 16,529
Accounts receivable (Note 6)	42,318	34,009
Inventories (Note 7)	6,168	5,221
Prepaid expenses	2,660	1,726
	55,024	57,485
Non-current		
Right-of-use assets (Note 8)	1,642	1,550
Property, plant and equipment (Note 9)	667,559	597,748
Intangible assets (Note 10)	34,190	29,269
Post-employment benefits assets (Note 15)	712	676
Derivative related asset (Note 26)	2,896	655
Total assets	762,023	687,383
Regulatory debit balances (Note 11(a))	54,400	54,096
Total assets and regulatory debit balances	\$ 816,423	\$ 741,479
Liabilities		
Current		
Bank indebtedness (Note 5)	\$ 159,747	\$ 78,004
Accounts payable and accrued liabilities (Note 13)	38,110	27,622
Deferred Government Grants (Note 12)	1,054	-
Current portion of deferred revenue (Note 17)	2,148	2,484
Current portion of lease liability (Note 8)	314	175
Current portion of long-term debt (Note 14)	5,357	5,133
	206,730	113,418
Non-current		
Post-employment benefits (Note 15)	624	635
Contributions in aid of construction (Note 16)	103,349	104,728
Deferred revenue (Note 17)	16,904	17,589
Lease liability (Note 8)	525	520
Long-term debt (Note 14)	238,649	243,825
Total liabilities	566,781	480,715
Equity		
Contributed capital	41,501	41,501
Retained earnings	197,513	185,751
Total equity	239,014	227,252
Total liabilities and equity	805,795	707,967
Regulatory credit balances (Note 11(b))	10,628	33,512
Total liabilities, equity and regulatory credit balances	\$ 816,423	\$ 741,479

Commitments and Contingencies (Notes 23 and 24)

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board:

 , Chair

 , Director

Yukon Development Corporation

Consolidated 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)	\$ 102,191	\$ 85,464
Yukon Government contributions (Note 22)	6,503	10,406
Government of Canada contributions (Note 1)	1,652	60
Other (Note 19)	379	2,288
	110,725	98,218
Operating expenses		
Operations and maintenance (Note 20)	81,144	58,951
Administration (Note 21)	21,052	19,375
Depreciation and amortization (Notes 8, 9 and 10)	16,670	15,068
	118,866	93,394
Income (loss) before other income and other expenses	(8,141)	4,824
Other income		
Insurance recoveries (Note 11(a)(vii))	10,130	-
Allowance for funds used during construction	4,430	2,434
Unrealized gain on interest rate swaps (Note 26)	2,241	-
Amortization of contributions in aid of construction (Note 16)	1,620	1,842
Interest income	518	812
	18,939	5,088
Other expenses		
Interest expenses	15,962	14,494
BC-Yukon Grid Interconnection (Note 1)	2,170	154
Innovative renewable energy initiative program subsidies (Note 1)	1,967	1,854
Interim electrical rebate program subsidies (Note 1)	1,130	3,246
Winter Electrical Affordability Rebate subsidies (Note 1)	995	-
Unrealized loss on interest rate swaps (Note 26)	-	1,750
Atlin Hydroelectric expansion project subsidies (Note 1)	-	1,250
Inflation relief rebate program subsidies (Note 1)	-	973
	22,224	23,721
Net (loss) income for the year before net movement in regulatory balances	(11,426)	(13,809)
Net movement in regulatory balances related to net income (Note 11(d))	23,185	15,643
Net income for the year after net movement in regulatory account balances	11,759	1,834
Other comprehensive income (Note 3(o))		
Item that will not be reclassified to net income in subsequent periods		
Remeasurement of defined benefit pension plans (Note 15)	3	1,021
Total comprehensive income for the year	\$ 11,762	\$ 2,855

The accompanying notes are an integral part of the consolidated financial statements.

Yukon Development Corporation

Consolidated Statement of Changes in Equity (in thousands of Canadian dollars)

	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2023	\$ 41,501	\$ 182,896	\$ -	\$ 224,397
Net income for the year after net movement in regulatory account balances	-	1,834	-	1,834
Other comprehensive income	-	-	1,021	1,021
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	1,021	(1,021)	-
Balance at December 31, 2024	\$ 41,501	\$ 185,751	\$ -	\$ 227,252
Net income for the year after net movement in regulatory account balances	-	11,759	-	11,759
Other comprehensive income	-	-	3	3
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	3	(3)	-
Balance at December 31, 2025	\$ 41,501	\$ 197,513	\$ -	\$ 239,014

The accompanying notes are an integral part of the consolidated financial statements.

Yukon Development Corporation

Consolidated 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	\$ 98,301	\$ 78,798
Cash receipts from Yukon Government contributions	8,610	12,512
Cash receipts from Government of Canada contributions	789	-
Cash receipts from contributions in aid of construction	3,088	1,833
Cash paid to suppliers and for subsidies	(88,196)	(60,364)
Cash paid to employees	(20,650)	(18,216)
Cash receipts from insurance claim settlement	-	113
Cash refund paid to customers	(69)	(643)
Interest received	609	813
Cash provided by operating activities	2,482	14,846
Financing activities		
Net advances from line of credit	78,272	33,800
Proceeds from long-term debt	-	27,254
Repayment of long-term debt	(5,134)	(4,439)
Interest paid	(16,471)	(14,192)
Lease payments	(278)	(205)
Cash provided by financing activities	56,389	42,218
Investing activities		
Additions to property, plant and equipment	(71,180)	(47,463)
Additions to intangible assets	(5,765)	(3,707)
Cash receipts from insurance claim settlement	1,952	-
Cash used in investing activities	(74,993)	(51,170)
Net (decrease) increase in cash	(16,122)	5,894
Cash, beginning of year	20,000	14,106
Cash, end of year (Note 5)	\$ 3,878	\$ 20,000

The accompanying notes are an integral part of the consolidated financial statements.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

1. Nature of operations

a) General

Yukon Development Corporation was originally established under the *Yukon Development Corporation Act* to participate with the private sector in the economic development of the Yukon, to make strategic investments to the benefit of the territory and to acquire and operate the assets of Northern Canada Power Commission in the Yukon. In 1993, the Yukon Development Corporation's mandate was changed to restrict its new initiatives to energy-related activities designed to promote the economic development of the Yukon. The Yukon Development Corporation's principal place of business is located at 301 Lambert Street, Whitehorse, YT, Y1A 1Z5.

Yukon Development Corporation's wholly-owned subsidiary, Yukon Energy Corporation (the "Utility") is incorporated under the Yukon *Business Corporations Act*. The Utility generates, purchases, transmits, distributes and sells electrical energy in the Yukon. The Utility's principal place of business is located at #2 Miles Canyon Road, Whitehorse, YT, 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 Yukon Government and as such are considered to be related parties for accounting purposes to the Yukon Development Corporation and the Utility. Management has assessed that these boards operate independently from the Yukon Development Corporation and the Utility from a rate setting and operating perspective.

Yukon Development Corporation and the Utility are not subject to income taxes.

Yukon Development Corporation consolidates the financial statements of its subsidiary, the Utility. All intercompany transactions, balances, income and expenses are eliminated on consolidation. References in these consolidated financial statements to "Corporation" refer to the consolidated entity.

b) Rate regulation

The operations of the Corporation are regulated by the YUB pursuant to the *Public Utilities Act*. The Corporation 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 Corporation investment in rate base. There is no minimum requirement for the Corporation to appear before the YUB to review rates. However, the Corporation 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 may 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 Corporation 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 Yukon Government through Orders-In-Council ("OIC") that specify how the interests of the customer and Corporation are to be balanced.

The YUB typically follows a two-stage decision process. In the first stage, the total costs that the Corporation 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 Corporation is allowed to collect from its customers.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

1. Nature of operations - continued

b) Rate regulation - continued

It is the responsibility of the YUB to examine the legitimacy of three classes of costs:

- the costs to the Corporation to run its operations and maintain its property, plant and equipment (personnel and materials);
- the cost associated with the depreciation and amortization of all property, plant and equipment, right-of-use assets and intangible assets; and
- the return on rate base (the 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 Corporation 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 Corporation's overall cost of service to the various customer classes on the basis of appropriate costing principles.

In May 2025, the Corporation 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 Corporation to make changes and complete a compliance filing. The Corporation 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 Corporation 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 licenses 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.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

1. Nature of operations - continued

e) Yukon Government

The Corporation and the Yukon Government signed a Memorandum of Understanding for the accounting period starting April 1, 2011 to March 31, 2042 regarding the Mayo B and Carmacks-Stewart Transmission line projects. The Yukon Government will assist in funding the repayment of a portion of the bond interest costs of up to \$2.625 million annually, subject to the Corporation meeting specified terms set out in the agreement.

The Corporation signed an agreement with the Yukon Government for the period from January 1, 2018 to March 31, 2021 for total funding of up to \$1.5 million annually to conduct Innovative Renewable Energy Initiative programs throughout the Yukon. The program is intended to encourage the development of small-scale, community-based renewable energy generation capacity. This agreement was extended for the period from April 1, 2021 to March 31, 2025, with funding of up to \$2.5 million annually and from April 1, 2025 to March 31, 2026, with funding of up to \$1.5 million.

In March 2024, the Yukon Government authorized the continuation of the Interim Electrical Rebate program (the "rebate") for 12 months to March 31, 2025. The rebate provides subsidies to non-government residential and municipal customers. It was implemented in 1998 after the Faro mine closed to protect customers from significant bill increases that would have resulted from that shutdown. The Yukon Government is providing funding for the monthly rebate based on \$0.02262/kWh applied to residential customers to a maximum of \$3.5 million annually.

In March 2025, the Corporation signed an agreement with the Yukon Government for the period from April 1, 2025 to March 31, 2026 for the Winter Electrical Affordability Rebate program. The rebate provides subsidies to non-government residential customers. The Yukon Government is providing funding for the monthly rebate based on \$0.03377/kWh applied to residential customers to a maximum of \$3.85 million for the period October 1, 2025 to March 31, 2026.

The Corporation signed an agreement with the Yukon Government for the period from November 1, 2023 to January 31, 2024 for the continuation of the Inflation Relief Rebate program. The rebate provides subsidies to non-government residential and commercial customers. The Yukon Government is providing funding for the monthly rebate based on \$50.00 per customer per month for six months total to a maximum of \$3.246 million for the period November 1, 2023 to January 31, 2024.

The Corporation signed an agreement with the Yukon Government for the period from April 1, 2023 to March 31, 2024 for total funding of up to \$2.0 million to support the Atlin Hydroelectric expansion project. Funding subsidizes costs related to geotechnical analysis required to finalize project design and refine total project cost estimate.

f) Government of Canada

In February 2025, the Corporation signed an agreement with the Government of Canada for the period from September 17, 2024 to March 31, 2030 for total funding of up to \$39.9 million to support the Yukon-British Columbia Grid Connect project. Funding subsidizes up to 75% of costs related to pre-feasibility activities to advance a direct current transmission line network that would connect the Yukon electrical grid to the North American grid in British Columbia.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

2. Basis of presentation

a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on June 18, 2026.

b) Basis of measurement

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

3. Material accounting policy information

a) Revenue recognition

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

The majority of the Corporation's revenues from contracts with customers are derived from the generation, purchase, transmission, distribution, and sales of electricity under the *Public Utilities Act*. The Corporation 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 Corporation is entitled to consideration as a result of completion of the performance obligation.

Deferred revenue is recognized when the Corporation receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Corporation 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 Corporation 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 Corporation 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 Corporation 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.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

3. Material accounting policy information - continued

a) Revenue recognition - continued

The Corporation'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.

The Corporation receives amounts from Yukon Government for the reimbursement of costs from electricity rebates, bond interest, the Innovative Renewable Energy Initiative program, and the Atlin Hydroelectric expansion project. The Yukon Government contributions related to these costs are recognized into revenue as the Corporation incurs the related costs.

The Corporation receives amounts from Government of Canada for the reimbursement of costs from the Yukon-British Columbia Grid Connect project. The contributions related to these costs are recognized into revenue as the Corporation incurs the related costs eligible for reimbursement.

Government contributions received in advance of satisfying the related eligibility or expenditure requirements are recorded as deferred government grants. Unspent amounts at year end remain in deferred government grants and are recognized as revenue as the associated eligible costs are incurred.

b) Translation of foreign currencies

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

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 Corporation'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 price, quality, recovery and exchange rates. Obsolete materials and supplies are recorded at salvage value in the period when obsolescence is determined.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

3. Material accounting policy information - continued

f) Financial instruments

Financial assets and financial liabilities are recognized on the Corporation's Consolidated Statement of Financial Position when the Corporation 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 Corporation'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 Corporation applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. For the other receivables, at the reporting date, if credit risk has increased significantly since initial recognition, the Corporation 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 Corporation 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 Corporation has transferred its rights to receive cash flows from the asset and has transferred substantially all of the risk and rewards of the asset.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Corporation has entered into interest rate swaps to manage interest rate risk. The Corporation'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.

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.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

3. Material accounting policy information - continued

f) Financial instruments - continued

ii) Financial liabilities

Bank indebtedness, accounts payable and accrued liabilities, 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 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 Corporation and any changes in the estimated useful life are accounted for prospectively.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

3. Material accounting policy information - continued

g) Property, plant and equipment - continued

The range of 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 Corporation 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 Corporation assesses whether:

- (i) The contract involves the use of an identified asset;
- (ii) The Corporation has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- (iii) The Corporation has the right to direct the use of the asset.

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

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

3. Material accounting policy information - continued

i) Leases - continued

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 Corporation 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 Corporation's incremental borrowing rate. Generally, the Corporation 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 Corporation 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 Corporation 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.

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.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

3. Material accounting policy information - continued

k) Rate regulated accounting policies

Regulatory deferral accounts

Regulatory deferral accounts in these consolidated 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 Corporation defers certain costs or revenues as regulatory debit balances or regulatory credit balances on the Consolidated Statement of Financial Position and recognizes changes in the regulatory account balances in the net movement in regulatory account balances in the Consolidated 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 Corporation'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 Corporation's adoption of IFRS 14, such amounts would be recorded in income as performance obligations are met.

Note 11 describes the individual regulatory debits and credits, the Corporation's related regulatory deferral and amortization policies and describes the related account activity in the relevant periods.

l) Provision for asset retirement obligations

The Corporation 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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

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 Corporation 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 Corporation'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 consolidated financial statements.

The Corporation 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 Yukon Government 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 Corporation sponsors an employee defined benefit pension plan for employees joining the Corporation before January 1, 2002. The Corporation 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 Corporation contributes amounts to the pension plans as recommended by an independent actuary.

For the defined benefit pension 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. Remeasurements 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 Corporation'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 Corporation 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 Corporation 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 represents the obligation of the Corporation.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

3. Material accounting policy information - continued

p) Change in accounting policy

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

Consolidated Statement of Cash Flows

Operating activities	Previously reported 2024	Adjustment	As restated 2024
Interest paid	(\$14,192)	\$14,192	\$0
Cash provided by operating activities	\$654	\$14,192	\$14,846

Financing activities	Previously reported 2024	Adjustment	As restated 2024
Interest paid	\$0	(\$14,192)	(\$14,192)
Cash provided by financing activities	\$56,410	(\$14,192)	42,218

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 Corporation's annual period beginning January 1, 2027. Early application is permitted. The standard will be applied retrospectively with restatement of comparatives. The Corporation is currently assessing the impact of adopting this standard.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

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 consolidated 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 consolidated financial statements, and the key areas are summarized below.

Areas of significant judgments and estimates made by management in preparing these consolidated 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 Corporation'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 Corporation'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 Corporation must estimate the amount and timing of the future cash payments and then apply an appropriate risk-free interest rate. Any change 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), 8 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 10

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 Corporation's intangible assets and amortization recognition.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

4. Significant accounting judgments, estimates and assumptions - continued

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

The Corporation 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 Corporation 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 - Note 3(a), 11(a)(iii), 11(a)(iv), 17 and 18

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

The Corporation 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 Corporation'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 Corporation'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 recognized provisions include the timing and amount of future payments and the discount rate applied.

Where the Corporation 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 Corporation 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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

4. Significant accounting judgments, estimates and assumptions - continued

Regulatory account balances - Notes 1(b), 3(k) and 11

The Corporation 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 Corporation will be permitted to incorporate deferred amounts in future rates.

5. Cash and Bank Indebtedness

The Corporation has cash balances of \$3.878 million (2024 - \$20 million).

The Corporation 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, one of the Corporation's financial institutions 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, a cash account has been disaggregated from bank indebtedness and is now shown separately on the Statement of Financial Position as the Corporation'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 Corporation 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.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

6. Accounts receivable

	2025	2024
Trade accounts receivable:		
Retail energy sales	\$ 12,263	\$ 11,219
Wholesale energy sales	13,843	11,545
Due from related parties (Note 22)	5,399	9,300
Other	10,813	1,945
	\$ 42,318	\$ 34,009

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	\$ 33,508	\$ 4,321	\$ 4,898	\$ 42,727
Allowance for doubtful accounts	-	-	(409)	(409)
	\$ 33,508	\$ 4,321	\$ 4,489	\$ 42,318

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

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	\$ 24,935	\$ 3,607	\$ 5,477	\$ 34,019
Allowance for doubtful accounts	-	-	(10)	(10)
	\$ 24,935	\$ 3,607	\$ 5,467	\$ 34,009

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

	2025	2024
Allowance for doubtful accounts at beginning of year	\$ (10)	\$ (1,510)
Allowance reversed during the year (Notes 21 and 26)	-	1,500
Amounts provided for during the year (Note 26)	(399)	-
Allowance for doubtful accounts at end of year	\$ (409)	\$ (10)

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

7. Inventories

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

8. Leases

The Corporation leases industrial land and building facilities. The Corporation has two existing land leases and one existing building lease. In 2025, the Corporation entered into a second building lease for a term of three years.

Right-of-use assets consist of land of \$912,000 (2024 - \$988,000) and buildings of \$730,000 (2024 - \$562,000).

	2025	2024
Right-of-use assets		
As at January 1	\$ 1,550	\$ 1,776
Additions	380	-
Depreciation expense	(288)	(226)
At December 31	\$ 1,642	\$ 1,550

Lease liabilities

Lease liabilities	\$ 839	\$ 695
Less: current portion	314	175
Non-current portion	\$ 525	\$ 520

Amounts recognized in net income

Depreciation expense on right-of-use assets	\$ (288)	\$ (226)
Interest expense on lease liabilities	\$ (42)	\$ (45)
Short-term leases payments	\$ (6,529)	\$ (5,279)
Stand-by charges for short-term leases	\$ (1,085)	\$ (1,522)

\$48,000 (2024 - \$0) of depreciation expense on right-of-use assets is recognized on the Consolidated Statement of Operations and Other Comprehensive Income as a BC-Yukon Grid Interconnection expense.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

9. 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	\$ 337,252	\$ 246,604	\$ 1,615	\$ 21,385	\$ 6,825	\$ 63,706	\$ 677,387
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	\$ 343,021	\$ 249,797	\$ 1,615	\$ 28,049	\$ 8,166	\$ 90,503	\$ 721,151
Additions	-	-	-	64	-	84,091	84,155
Transfers	52,605	9,323	-	1,396	875	(64,199)	-
Disposals	(48)	-	-	(297)	(227)	-	(572)
At December 31, 2025	\$ 395,578	\$ 259,120	\$ 1,615	\$ 29,212	\$ 8,814	\$ 110,395	\$ 804,734
Accumulated depreciation:							
At December 31, 2023	\$ 55,461	\$ 46,120	\$ -	\$ 6,603	\$ 3,341	\$ -	\$ 111,525
Depreciation	7,154	4,753	-	829	529	-	13,265
Disposals	(616)	-	-	(235)	(536)	-	(1,387)
At December 31, 2024	\$ 61,999	\$ 50,873	\$ -	\$ 7,197	\$ 3,334	\$ -	\$ 123,403
Depreciation	7,867	4,686	-	1,047	638	-	14,238
Disposals	-	-	-	(239)	(227)	-	(466)
At December 31, 2025	\$ 69,866	\$ 55,559	\$ -	\$ 8,005	\$ 3,745	\$ -	\$ 137,175
Net Book Value:							
At December 31, 2024	\$ 281,022	\$ 198,924	\$ 1,615	\$ 20,852	\$ 4,832	\$ 90,503	\$ 597,748
At December 31, 2025	\$ 325,712	\$ 203,561	\$ 1,615	\$ 21,207	\$ 5,069	\$ 110,395	\$ 667,559

The total AFUDC charged to property, plant and equipment during 2025 was \$3,515,000 (2024 - \$2,048,000). The AFUDC rate for 2025 was 3.47% (2024 - 2.88%).

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

10. 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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. 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 balances related to net income on the Consolidated Statement of Operations and Other Comprehensive Income):							
December 31, 2024	\$ 270	\$ 621	\$ -	\$ 7,222	\$ (81)	\$ (1,710)	\$ 6,322
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 balances on the Consolidated Statement of Operations and Other Comprehensive Income would decrease (increase) by:							
December 31, 2024	\$ (270)	\$ (621)	\$ -	\$ (7,222)	\$ 81	\$ 1,710	\$ (6,322)
December 31, 2025	\$ 1,365	\$ 541	\$ (13,087)	\$ 6,856	\$ (414)	\$ (858)	\$ (5,597)

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. 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
Cost 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 on the Consolidated Statement of Operations and Other Comprehensive Income):							
December 31, 2024	\$ 6,322	\$ 8,965	\$ (221)	\$ (31)	\$ 41	\$ (299)	\$ 14,777
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 Consolidated Statement of Operations and Other Comprehensive Income would decrease (increase) by:							
December 31, 2024	\$ (6,322)	\$ (8,965)	\$ 221	\$ 31	\$ (41)	\$ 299	\$ (14,777)
December 31, 2025	\$ (5,597)	\$ 4,372	\$ 800	\$ (219)	\$ (24)	\$ 364	\$ (304)

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

a) Regulatory debit balances - continued

(i) Feasibility studies and infrastructure planning

The Corporation 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 Corporation 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 Corporation 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 11(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 Corporation recognizes a regulatory debit balance when the Corporation 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 Corporation's remaining revenue shortfall to be collected from customers in future years.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

a) Regulatory debit balances - continued

(iv) 2023/24 & 2021 GRA's

The Corporation recognizes a regulatory debit balance when the Corporation 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 11(a)(vi)). The ending balance at December 31 comprises the Corporation'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.

(v) Hearing reserve

The Corporation 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 (See Note 11(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 Corporation 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 11(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.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

a) Regulatory debit balances - continued

(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 Corporation 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 Corporation 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 Corporation established a vegetation management policy and as a result of expected annual costs, deferral is no longer required. The Corporation completes a full cycle of all 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 Corporation 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 review

The Corporation 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.

(x) IPP purchase costs

OIC 2019/25 directs that in setting rates that the Corporation 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 Corporation 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.

(iv) Deferred overhauls

YUB Order 2013-01 restricted inclusion of property, plant and equipment overhaul depreciation expense in rates charged to customers until the Corporation comes before the YUB for a prudence review. As such, starting in 2013 the Corporation deferred depreciation expense related to overhauls. In 2017, the Corporation 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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. 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	\$ 15,622	\$ 15,687	\$ 2,037	\$ 4,964	\$ 3,874	\$ 86	\$ 42,270
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	\$ 15,622	\$ 14,182	\$ 2,037	\$ 4,868	\$ 4,876	\$ 64	\$ 41,649
Costs incurred	-	-	-	-	-	-	-
Regulatory provision	-	(22,428)	-	(97)	1,005	17	(21,503)
Interest	-	593	-	-	-	-	593
Contributions received	-	(225)	-	-	-	-	(225)
At December 31, 2025	\$ 15,622	\$ (7,878)	\$ 2,037	\$ 4,771	\$ 5,881	\$ 81	\$ 20,514
Accumulated amortization:							
At December 31, 2023	\$ 7,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,889
Amortization	248	-	-	-	-	-	248
At December 31, 2024	\$ 8,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,137
Amortization	1,749	-	-	-	-	-	1,749
At December 31, 2025	\$ 9,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,886
Net book value:							
At December 31, 2024	\$ 7,485	\$ 14,182	\$ 2,037	\$ 4,868	\$ 4,876	\$ 64	\$ 33,512
At December 31, 2025	\$ 5,736	\$ (7,878)	\$ 2,037	\$ 4,771	\$ 5,881	\$ 81	\$ 10,628
Net decrease (increase) in regulatory credit balances (which are recognized in the net movement of regulatory balances related to net income on the Consolidated Statement of Operations and Other Comprehensive Income):							
December 31, 2024	\$ 248	\$ 1,505	\$ -	\$ 96	\$ (1,002)	\$ 22	\$ 869
December 31, 2025	\$ 1,749	\$ 22,060	\$ -	\$ 97	\$ (1,005)	\$ (17)	\$ 22,884
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 balances on the Consolidated Statement of Operations and Other Comprehensive Income would decrease (increase) by:							
December 31, 2024	\$ (248)	\$ (1,505)	\$ -	\$ (96)	\$ 1,002	\$ (22)	\$ (869)
December 31, 2025	\$ (1,749)	\$ (22,060)	\$ -	\$ (97)	\$ 1,005	\$ 17	\$ (22,884)

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. 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 Fund ("LWRF") was established by YUB Order 2018-10. The LWRF is used to protect the Corporation 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 Corporation is required to file annual reports with the YUB on the LWRF's activity.

In accordance with YUB Order 2015-01, the Corporation 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 Corporation 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 Corporation's net income in the year incurred.

(iii) Future removal and site restoration costs

The Corporation maintains a regulatory provision for future removal and site restoration costs 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 Corporation.

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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

b) Regulatory credit balances - continued

(iv) Contracts with customers

Effective January 1, 2018 the Corporation 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 Corporation 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 Corporation 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 - \$15,491,000) 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 \$23,185,000 (2024 - 15,643,000) and 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 \$22,884,000 for regulatory account credit balances for rate regulation compared to the amounts that are recorded under IFRS. The net movement figure for 2024 is comprised of an increase of \$14,777,000 for regulatory account debit balances and a decrease of \$869,000 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 the 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.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

b) Regulatory credit balances - continued

(e) Rate recovery of mobile diesel rentals - continued

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."

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 11(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.

12. Deferred Government Grants

Deferred Government Grants consists of \$231,000 (2024 - \$0) received from the Government of Yukon for Innovative renewable energy initiative program subsidies (Note 1) and \$823,000 (2024 - \$0) received from the Government of Yukon for the Winter Electrical Affordability Rebate subsidies (Note 1).

13. Accounts payable and accrued liabilities

	2025	2024
Trade payables	\$ 34,502	\$ 24,631
Employee compensation	1,759	1,385
Due to related parties (Note 22)	1,504	1,479
Other	345	127
	\$ 38,110	\$ 27,622

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt

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

	2025	2024
Bond		
The Corporation issued a bond at a fixed interest rate of 5.00% per annum. Interest is payable semi-annually. Principal payment is due when the bond expires on June 29, 2040 (i).	\$ 98,775	\$ 98,719
The Toronto Dominion Bank		
The Corporation 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 Toronto Dominion Bank		
The Corporation 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 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 Toronto Dominion Bank		
The Corporation 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 2.64% per annum. Payable in monthly installments of \$30,868 interest and principal with the balance due on July 14, 2044.	5,435	5,659
The Toronto Dominion Bank		
The Corporation 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 instalments of \$20,478 interest and principal with the balance due on November 4, 2045.	4,014	4,175
The Toronto Dominion Bank		
The Corporation 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 2.88% per annum. Payable in monthly instalments of \$35,853 interest and principal with the balance due on April 30, 2046.	6,614	6,850

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt - continued

	2025	2024
The Toronto Dominion Bank The Corporation 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 4.07% per annum. Payable in monthly instalments of \$86,661 interest and principal with the balance due on September 1, 2052.	16,925	17,269
The Toronto Dominion Bank The Corporation 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 4.10% per annum. Payable in quarterly instalments of \$103,009 interest and principal with the balance due on December 21, 2048.	6,117	6,274
The Toronto Dominion Bank The Corporation 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 4.30% per annum. Payable in quarterly instalments of \$446,114 interest and principal with the balance due on October 12, 2049.	26,632	27,254
Yukon Government The Corporation entered into a refinance agreement for construction financing. Annual principal payments of \$1,000,000 and interest are due on March 31. The balance is due on March 31, 2028. The interest rate is adjusted annually on April 1. The interest rate of 3.42% (2024 - 5.69%) is the CORRA rate at April 1 plus Yukon Government's borrowing premium.	32,200	33,200
Tr'ondek Hwech'in First Nation loan The loan from the First Nation is related to the construction of the Mayo Dawson Transmission Line and is repayable in equal annual principal repayments of \$125,000 and interest with the final payment due in 2049. The interest rate at 6.90% (2024 - 6.74%) is a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	3,125	3,125
Na-Cho Nyak Dun First Nation loan The loan from the First Nation is related to the construction of the Mayo B project and is repayable in equal annual principal repayments of \$43,264 and interest with the final payment due in 2094. The interest rate of 7.43% (2024 - 7.02%) is based on the actual rate of return earned by the Utility.	2,985	3,028

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt - continued

	2025	2024
Chu Niikwan Limited Partnership loan		
The loan from the First Nation is related to the construction of the Liquid Natural Gas generation equipment and is repayable in equal annual principal repayments of \$1,019,320 and interest with the final payment due in 2040. The interest rate of 4.86% (2024 - 4.70%) is based on a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	15,290	16,309
Carmacks Stewart First Nation liability		
Long-term liability payable to several First Nations related to the construction 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 Corporation 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 the Utility's rate of return on equity and interest is payable annually.	1,000	1,000
Total	244,006	248,958
Less: current portion	5,357	5,133
	\$ 238,649	\$ 243,825

(i) Bond

The Corporation issued a bond in 2010 for the face value of \$100 million. The interest rate is 5% and the bond matures June 29, 2040. There are no principal payments due until the bond matures and interest is payable semi-annually. The bond was issued at a discount of \$0.7 million which is being amortized over the period of the related debt using the effective interest rate. Transaction costs were \$1.2 million and include fees paid to agents and advisors and are presented as a reduction from the carrying value of the related debt and are amortized over the period of the related debt using the effective interest rate.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

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 \$4,952,000 (2024 - \$4,439,000) and the issuance of additional debt in the amount of \$0 (2024 - \$27,254,000).

Fair value

The fair value of long-term debt at December 31, 2024 is \$255 million (December 31, 2024 - \$265 million). The fair value for all long-term debt including current portions was estimated using discounted cash flows based on an estimate of the Corporation'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 TD Bank and others who had yet to transition, as well as the Minto Decommissioning Fund.

For the TD Bank derivatives, and most long-term debt, the banks providing the Corporation 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 Corporation's risk management strategy.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

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 Corporation to make special payments as prescribed by the OSFI to repay any unfunded liability or solvency deficiency that may exist. For the employee defined benefit pension plan the Corporation 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 Corporation after January 1, 2002 are not eligible to participate in the employee defined benefit pension plan. The Corporation 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 pension 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 Corporation's contribution to the plan. During 2025, these were \$1,029,000 (2024 - \$836,000).

Risks associated with defined benefit pension plans

The defined benefit pension plans expose the Corporation 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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

Net defined benefit liability (asset):

	2025	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 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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

Components of benefit plan cost:

	2025	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 Consolidated Statement of Operations	171	210
Defined contribution expense	1,029	836
Total benefit expense in Consolidated Statement of Operations	\$ 1,200	\$ 1,046
Actuarial (gains) losses on obligation	(1,136)	(156)
Gains on plan assets	(59)	(879)
Effect of asset ceiling	1,192	14
Total remeasurement included in Other Comprehensive Income	(3)	(1,021)
Total benefit cost recognized in the Consolidated 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 values 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 Consolidated 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:

	December 31, 2025	December 31, 2024
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 Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

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 Consolidated 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, assumptions 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, assumptions 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 Consolidated Statement of Financial Position.

The Corporation 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 Corporation expects to make payments of \$136,900 (2024 - \$202,800) to the defined benefit pension plans during the next financial year.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

16. Contributions in aid of construction

	Government of Canada	Yukon Government since 1998	Pre - 1998 contributions	Total
Cost:				
At December 31, 2023	\$ 103,584	\$ 17,420	\$ 1,739	\$ 122,743
Additions	2,970	-	-	2,970
At December 31, 2024	106,554	17,420	1,739	125,713
Additions	241	-	-	241
At December 31, 2025	\$ 106,795	\$ 17,420	\$ 1,739	\$ 125,954
Accumulated amortization:				
At December 31, 2023	\$ 12,863	\$ 4,641	\$ 1,639	\$ 19,143
Amortization	1,467	330	45	1,842
At December 31, 2024	14,330	4,971	1,684	20,985
Amortization	1,253	324	43	1,620
At December 31, 2025	\$ 15,583	\$ 5,295	\$ 1,727	\$ 22,605
Net book value:				
At December 31, 2024	\$ 92,224	\$ 12,449	\$ 55	\$ 104,728
At December 31, 2025	\$ 91,212	\$ 12,125	\$ 12	\$ 103,349

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

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 Corporation'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.

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).

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

18. Sales of power

	2025	2024
Wholesale	\$ 70,544	\$ 54,572
Industrial	13,054	13,305
General service	13,006	12,206
Residential	5,276	4,723
Sentinel and street lights	175	163
Secondary sales	136	495
	\$ 102,191	\$ 85,464

19. Other revenue

Included in other revenue, the Corporation recognized \$117,000 (2024 - \$60,000) in other revenue related to IPP contracts and \$0 (2024 - \$1,500,000) related to the reversal of an allowance provision (Note 6 and 26).

20. Operations and maintenance expenses

	2025	2024
Fuel	\$ 45,628	\$ 19,754
Regulatory account expenses (Note 11 (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 11(a)(i))	1,137	-
Travel	625	479
Communication	105	101
Loss on asset disposals	-	762
	\$ 81,144	\$ 58,951

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

21. Administration expenses

	2025	2024
Wages and benefits	\$ 10,648	\$ 9,575
Insurance and taxes	3,595	3,367
External labour	3,426	3,300
Materials, consumables and general	1,670	1,330
Licences and fees	1,194	1,371
Travel	355	290
Board fees	164	142
	\$ 21,052	\$ 19,375

Included in materials, consumables and general, the Corporation recognized a provision of \$399,000 (2024 - \$0) relating to an allowance for doubtful accounts (Note 6).

22. Related party transactions

The Corporation is related in terms of common ownership to all Yukon Government 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.

The following table summarizes the Corporation's related party transactions with the Yukon Government for the year:

	2025	2024
Revenues		
Sales of power	\$ 2,824	\$ 2,833
Contributions for bond interest expense	2,331	2,625
Contributions for Innovative Renewable Energy Initiatives	2,045	2,104
Contributions for Winter Electrical Affordability Rebate program	1,077	-
Contributions for Interim Electrical Rebate program	1,000	3,516
Contributions for YT Integrated System Dynamic Performance Studies	50	-
Contributions for Atlin Hydroelectric expansion project subsidies	-	1,250
Contributions for Inflation Relief Rebate program	-	911
	\$ 9,327	\$ 13,239
Expenses		
Interest expense	\$ 1,296	\$ 1,862
Operating expenses	628	275
	\$ 1,924	\$ 2,137

During 2025, the Corporation utilized office space provided by the Government of Yukon at no cost to the Corporation.

Yukon Development Corporation

Notes to Consolidated Financial Statements

December 31, 2025 (tabular amounts in thousands of Canadian dollars)

22. Related party transactions - continued

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

	2025	2024
Balances		
Long-term debt	\$ 32,200	\$ 33,200
Accounts receivable	\$ 5,399	\$ 9,300
Accounts payable	\$ 1,504	\$ 1,479

Included in accounts receivable is an amount of \$2,838,000 for capital projects funded by Yukon Government and the federal government (2024 - \$5,605,000), as well as an amount of \$0 related to the Interim Electrical Rebate (2024 - \$2,497,000). These balances are non-interest bearing and payable on demand except for long-term debt.

Transactions with Key Management Personnel

The Corporation's key management personnel include ten senior management team positions and twenty Board of Directors positions. Key management personnel compensation is as follows:

Year ended December 31,	2025	2024
Short-term employee benefits	\$ 2,693	\$ 2,244
Post-employment benefits	177	134
	\$ 2,870	\$ 2,378

23. Commitments

Contractual obligations

The Corporation 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	9,100	13,424
Intangible assets	2,328	814
	\$ 88,904	\$ 44,334

The Corporation expects to fulfill contractual obligations of \$87,454,000 in 2026 and \$1,450,000 in 2027.

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24. Contingencies

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

Asset retirement obligations

The Corporation has not recognized a provision for the closure and restoration obligations for certain generation, transmission and distribution assets which the Corporation anticipates maintaining and operating for an indefinite period, making the date of retirements 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 Corporation'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 Corporation 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 Corporation 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 Corporation. The Corporation has its Environmental Management System to monitor and assess previous and potential existing environmental liabilities on an ongoing basis. The Corporation does not have a provision for environmental liabilities as there is no significant present obligation to remediate.

26. Risk management and financial instruments

At December 31, 2025, the Corporation's financial instruments included cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, interest rate swaps and lease liabilities. The fair values of cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities 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 Corporation 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 Corporation'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 Toronto Dominion 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.

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26. Risk management and financial instruments - continued

Interest rate risk - continued

The fair value of the interest rate swap agreements on December 31, 2025 was an asset of \$2,896,000 (2024 - asset of \$655,000). The increase in the fair value in 2025 of \$2,241,000 (2024 - decrease of \$1,750,000) is recognized on the Consolidated 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 Corporation has access to a line of credit as described in Note 5 and a lease liability as described in Note 8.

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 Corporation.

The following table illustrates the maximum credit exposure to the Corporation if all counterparties defaulted:

	2025	2024
Cash	\$ 3,878	\$ 16,529
Accounts receivable	42,318	34,009
	\$ 46,196	\$ 50,538

Credit risk on cash is considered minimal as the Corporation's cash deposits are held by Canadian Schedule 1 Chartered banks.

Credit risk on accounts receivable is generally considered minimal as the Corporation has experienced insignificant bad debt in prior years. Its primary customer is a rate regulated utility that purchases power from the Corporation 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 \$5,194,000 (2024 - \$9,074,000). 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.

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26. Risk management and financial instruments - continued

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through regular monitoring of cash and currency requirements by preparing cash flow forecasts to identify financing requirements. The Corporation'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 Corporation's reputation.

The Corporation's largest current liability is bank indebtedness. The Corporation 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 Corporation 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	38,110	-	-
Lease liability	352	550	-
Long-term debt	15,939	86,728	277,488
	\$ 220,059	\$ 87,278	\$ 277,488

Fair values

The following table illustrates the fair value hierarchy of the Corporation'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	-	-	\$255,125	\$255,125

The following table illustrates the fair value hierarchy of the Corporation'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	-	-	\$265,427	\$265,427

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27. Capital management

For financial reporting purposes, the Corporation's capital is its total equity which is comprised of contributed capital and retained earnings. The Corporation manages its equity by managing revenues, expenses, assets and liabilities to ensure the Corporation effectively achieves its objectives while remaining a going concern. There were no changes in the Corporation's approach to capital management during the period.

28. Non-consolidated financial information

The nature and size of operations of the non-consolidated Yukon Development Corporation and its wholly-owned subsidiary, Yukon Energy Corporation differ substantially. Unaudited non-consolidated financial statements of the Yukon Development Corporation and audited financial statements of Yukon Energy Corporation for the year ended December 31, 2025 are also prepared.