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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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East Smoky Gas Co-op Ltd. management is responsible for the integrity of the accompanying financial statements. The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. The preparation of the financial statements necessarily includes some amounts which are based on the best estimates and judgements of management.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

The financial statements have been audited by the independent firm of Metrix Group LLP, chartered Professional Accountants. Their report stating the scope of their examination and opinion on the financial statements follows.

A handwritten signature in blue ink, appearing to read 'JVH', is written over a horizontal line.

Jon Van Haga, General Manager

**EAST SMOKY GAS CO-OP LTD.**  
**Financial Statements**  
**For The Year Ended December 31, 2025**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of East Smoky Gas Co-op Ltd.

### *Opinion*

We have audited the financial statements of East Smoky Gas Co-op Ltd. (the Co-op), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-op as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Co-op's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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



Independent Auditors' Report to the Members of East Smoky Gas Co-op Ltd. *(continued)*

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

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

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

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta

March 16, 2026

**EAST SMOKY GAS CO-OP LTD.**  
**Statement of Financial Position**  
**As at December 31, 2025**

	2025	2024
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 403,840	\$ -
Accounts receivable (Note 3)	696,475	728,552
Current portion of notes receivable (Note 4)	18,259	22,529
Inventory (Note 5)	232,138	213,113
Prepaid expenses	56,181	54,540
	<u>1,406,893</u>	1,018,734
NOTES RECEIVABLE (Note 4)	56,707	75,907
OTHER INVESTMENTS (Note 6)	58,507	58,507
REPLACEMENT RESERVE INVESTMENTS (Note 7)	3,091,782	2,718,083
TANGIBLE CAPITAL ASSETS (Note 8)	7,667,728	7,770,708
	<u>\$ 12,281,617</u>	<u>\$ 11,641,939</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Bank indebtedness (Note 9)	\$ -	\$ 30,739
Accounts payable and accrued liabilities (Note 10)	533,330	596,487
Customer deposits	96,999	94,300
	<u>630,329</u>	721,526
DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS (Note 11)	4,563,237	4,702,271
MEMBERSHIPS	1,533	1,533
	<u>5,195,099</u>	5,425,330
<b>NET ASSETS</b>		
Replacement reserve (Note 7)	3,091,782	2,817,744
Invested in tangible capital assets	3,104,491	3,068,437
Unrestricted	890,245	330,428
	<u>7,086,518</u>	6,216,609
	<u>\$ 12,281,617</u>	<u>\$ 11,641,939</u>

ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements

**EAST SMOKY GAS CO-OP LTD.**  
**Statement of Operations**  
**For The Year Ended December 31, 2025**

	2025	2024
<b>REVENUE</b>		
Gas sales and service charges	\$ 3,044,273	\$ 2,616,070
Services and material sales	325,551	354,165
Odorant sales	88,531	63,805
	<u>3,458,355</u>	<u>3,034,040</u>
<b>COST OF SALES</b>		
Gas purchases (Note 14)	1,236,664	1,047,346
Material purchases	95,512	141,197
Odorant delivery	7,156	1,820
	<u>1,339,332</u>	<u>1,190,363</u>
<b>GROSS MARGIN</b>	<u>2,119,023</u>	<u>1,843,677</u>
<b>EXPENSES</b>		
Operations Expenses (Schedule 1)	681,963	551,484
Administration Expenses (Schedule 2)	583,358	521,747
Amortization	259,088	185,737
	<u>1,524,409</u>	<u>1,258,968</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSES)</b>	<u>594,614</u>	<u>584,709</u>
<b>OTHER INCOME (EXPENSES)</b>		
Investment income (replacement reserve) (Note 12)	201,914	295,062
Insurance proceeds	49,638	-
Gain on disposal of tangible capital assets	11,233	2,049
Other	8,661	286
Penalties	7,149	9,813
Gas Alberta Inc. gas cost refund	-	62,845
Buy-back gas contracts	(3,300)	(6,483)
	<u>275,295</u>	<u>363,572</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 869,909</u>	<u>\$ 948,281</u>

The accompanying notes are an integral part of these financial statements

**EAST SMOKY GAS CO-OP LTD.**  
**Statement of Changes in Net Assets**  
**For The Year Ended December 31, 2025**

	Replacement Reserve	Invested in Tangible Capital Assets	Unrestricted	2025	2024
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 2,817,744	\$ 3,068,437	\$ 330,428	\$ 6,216,609	\$ 5,268,328
Excess of revenue over expenses	-	(259,088)	1,128,997	<b>869,909</b>	948,281
Purchase of tangible capital assets (net of contributions)	-	301,563	(301,563)	-	-
Net book value of tangible capital assets disposed of	-	(6,421)	6,421	-	-
Transfers	274,038	-	(274,038)	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,091,782</b>	<b>\$ 3,104,491</b>	<b>\$ 890,245</b>	<b>\$ 7,086,518</b>	<b>\$ 6,216,609</b>

The accompanying notes are an integral part of these financial statements

**EAST SMOKY GAS CO-OP LTD.**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2025**

	2025	2024
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 869,909	\$ 948,281
Items not affecting cash:		
Gain on disposal of tangible capital assets	(11,233)	(2,049)
Realized losses (gains) replacement reserve investments	(25,370)	(45,238)
Amortization of tangible capital assets	545,650	481,291
Amortization of deferred contributions (Note 11)	(286,562)	(295,553)
Unrealized (gains) losses replacement reserve investments	(82,441)	(145,748)
	<u>1,009,953</u>	<u>940,984</u>
Changes in non-cash working capital:		
Accounts receivable	32,077	(67,259)
Inventory	(19,025)	(17,156)
Accounts payable and accrued liabilities	(63,157)	121,673
Prepaid expenses	(1,641)	(23,289)
Customer deposits	2,699	2,800
	<u>(49,047)</u>	<u>16,769</u>
Cash flows from operating activities	<u>960,906</u>	<u>957,753</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(449,091)	(1,408,420)
Proceeds on disposal of tangible capital assets	17,655	4,500
Repayment notes receivable	22,529	19,992
Addition to notes receivable	-	(16,000)
Purchase of replacement reserve investments	(581,486)	(537,507)
Proceeds of sale of replacement reserve investments	316,538	491,114
Purchase of other investments	-	-
	<u>(673,855)</u>	<u>(1,446,321)</u>
Cash flows used by investing activities	<u>(673,855)</u>	<u>(1,446,321)</u>
<b>FINANCING ACTIVITIES</b>		
Members' contributions received	57,237	143,868
Government grants received	90,291	-
	<u>147,528</u>	<u>143,868</u>
Cash flows from financing activities	<u>147,528</u>	<u>143,868</u>
<b>INCREASE (DECREASE) IN CASH FLOWS</b>	<b>434,579</b>	<b>(344,700)</b>
Cash (bank indebtedness) - beginning of year	<u>(30,739)</u>	<u>313,961</u>
<b>CASH (BANK INDEBTEDNESS) - END OF YEAR</b>	<b>\$ 403,840</b>	<b>\$ (30,739)</b>

The accompanying notes are an integral part of these financial statements

# EAST SMOKY GAS CO-OP LTD.

## Notes to Financial Statements

Year Ended December 31, 2025

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### 1. NATURE OF ORGANIZATION

East Smoky Gas Co-op Ltd. (the "Co-op") was incorporated under the authority *Business Corporations Act* of the Province of Alberta on December 18, 1973. The Co-op is a not-for-profit organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes.

The Co-op is a natural gas distributor for a northern Alberta gas distribution region.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### Cash and cash equivalents

Cash and cash equivalents are comprised of items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of three months or less at acquisition.

#### Inventory

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory includes all costs to purchase, convert, and bring the inventories to their present location and condition. Cost is determined using weighted-average cost formula for inventory items.

#### Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported in the statement of operations. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported in the statement of operations.

#### Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if the fair value can be reasonably determined. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

Distribution system	6%
Buildings	5%
Shop equipment	20%
Office equipment	20%
Communication equipment	25%
Automotive	10-30%
Computer equipment	30%
Paved surfaces	8%
Software	100%

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**EAST SMOKY GAS CO-OP LTD.**

**Notes to Financial Statements**

**Year Ended December 31, 2025**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Revenue recognition

Revenue for the sale of gas is recognized as the gas is consumed by the Co-op's members.

Revenue for the sale of goods and services is recognized when services are provided or products are delivered to members, there is clear proof that an arrangement exists, amounts are fixed or can be determined and the ability to collect is reasonably assured.

The Co-op follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue during the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for tangible capital assets are amortized to revenue at the same rates as amortization is provided for on the related tangible capital assets.

Investment income is recognized as revenue in the year it is earned.

Government grants and members' contributions

The Co-op receives government grants for transmission and distribution system capital costs.

In addition to the \$1 membership fee, new members contribute to the cost of installing a natural gas service to their property.

Government grants and members' contributions are amortized using the declining balance method, at a rate of 6%. This is the same rate at which the gas distribution system is amortized.

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**EAST SMOKY GAS CO-OP LTD.**

**Notes to Financial Statements**

**Year Ended December 31, 2025**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in the statement of operations. All other financial instruments are reported at amortized cost, and tested for impairment when indicators of impairment exist. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost include accounts receivable, notes receivable, and other investments.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, deposits, long term debt, and obligations under capital leases.

Replacement reserve investments are the Co-op's only financial assets measured at fair value.

*Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

*Transaction costs*

The Co-op recognizes its transaction costs in the statement of operations in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance or assumption.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in the statement of operations in the period in which they become known. Significant areas requiring the use of estimates include: allowance for doubtful accounts, inventory obsolescence valuation of inventory, useful lives of tangible capital assets, impairment of tangible capital assets and financial assets, and distribution system costs. Actual results could differ from these estimates.

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**3. ACCOUNTS RECEIVABLE**

	<u>2025</u>	<u>2024</u>
Gas sales	\$ 626,222	\$ 682,153
Secondary sales and services	59,540	46,399
Other	10,713	-
	<u>\$ 696,475</u>	<u>\$ 728,552</u>

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**EAST SMOKY GAS CO-OP LTD.****Notes to Financial Statements****Year Ended December 31, 2025****4. NOTES RECEIVABLE**

Notes receivable are unsecured and consist of the following:

	<u>2025</u>	<u>2024</u>
Notes receivable bearing interest at 7.0% (2024 - 7.0%) per annum, payable in blended monthly instalments of \$50 to \$113 (2024 - \$50 - \$113) due between 2026 and 2031.	\$ 74,966	\$ 98,436
Amounts receivable within one year	<u>(18,259)</u>	<u>(22,529)</u>
	<u>\$ 56,707</u>	<u>\$ 75,907</u>

Principal repayment terms are approximately:

2026	\$ 18,259
2027	14,337
2028	10,714
2029	8,727
2030	<u>22,929</u>
	<u>\$ 74,966</u>

**5. INVENTORY**

Inventory is comprised of pipe, parts and accessories used for the construction and repair of the distribution system.

The cost of inventories recognized as an expense and included in cost of sales amounted to \$95,512 (2024 - \$141,197).

**6. OTHER INVESTMENTS**

	<u>2025</u>	<u>2024</u>
Gas Alta. Inc. debentures	\$ 52,500	\$ 52,500
Gas Alberta Inc. 467 Class "A" shares at cost (2024 - 467)	467	467
United Farmers of Alberta Co-operative Limited investment shares	3,936	3,936
United Farmers of Alberta Co-operative Limited member share equity	<u>1,604</u>	<u>1,604</u>
	<u>\$ 58,507</u>	<u>\$ 58,507</u>

**EAST SMOKY GAS CO-OP LTD.****Notes to Financial Statements****Year Ended December 31, 2025****7. REPLACEMENT RESERVE INVESTMENTS**

As required by the *Rural Utilities Act*, and pursuant to a by-law passed by general membership, a reserve has been established for the purpose of future replacement of the gas distribution system.

The balance held in the replacement reserve fund as at December 31 is comprised of the following:

	<u>2025</u>	<u>2024</u>
Mutual / segregated funds	\$ 1,218,290	\$ 715,241
Equities	880,367	571,709
Guaranteed Investment Certificates	813,115	1,304,775
Principal at-risk notes	87,593	49,232
Principal protected notes	63,439	50,801
Cash and cash equivalents	28,978	26,325
	<u>\$ 3,091,782</u>	<u>\$ 2,718,083</u>

The Guaranteed Investment Certificates bear interest at rates of 4.60% and 4.90% maturing in February 2026 and March 2027.

The cost of the investments at December 31, 2024 was \$2,747,367 (2024 - \$2,521,412).

**8. TANGIBLE CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2025 Net book value</u>	<u>2024 Net book value</u>
Land	\$ 13,770	\$ -	\$ 13,770	\$ 13,770
Distribution system	21,038,626	13,981,134	7,057,492	7,140,750
Automotive	1,086,128	774,477	311,651	308,524
Buildings	460,898	237,924	222,974	234,709
Shop equipment	133,304	106,304	27,000	32,597
Office equipment	74,145	49,082	25,063	28,522
Computer equipment	34,248	26,566	7,682	9,548
Paved surfaces	13,070	11,445	1,625	1,767
Communication equipment	4,748	4,597	151	201
Computer software	14,068	13,748	320	320
	<u>\$ 22,873,005</u>	<u>\$ 15,205,277</u>	<u>\$ 7,667,728</u>	<u>\$ 7,770,708</u>

**9. BANK INDEBTEDNESS**

The Co-op has a revolving line of credit with an authorized amount of up to \$1,000,000 (2024 - \$1,000,000) bearing interest at prime plus 1% (2024 - prime plus 1%) per annum. At year end, \$NIL (2024 - \$NIL) was drawn upon and the remaining bank indebtedness is outstanding cheques in excess of deposits.

The line of credit is secured by a security agreement granting a first security interest in all present and after acquired personal property of the Co-op and as security agreement granting a first security interest in the distribution system, which encompass all pipeline and infrastructure to collect and distribute the natural gas to the customers.

The Co-op has a corporate credit card with an authorized credit limit of \$20,000 (2024 - \$20,000), of which \$6,565 (2024 - \$6,547) was drawn at year end and is included in accounts payable and accrued liabilities.

**EAST SMOKY GAS CO-OP LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2025</b>	<b>2024</b>
Gas Alberta Inc.	\$ 357,034	\$ 173,861
Trade	147,789	114,822
Goods and Services Tax	17,817	10,317
Government payroll remittances	10,690	14,943
Federal fuel tax	-	282,544
	<b>\$ 533,330</b>	<b>\$ 596,487</b>

**11. DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS**

Deferred contributions - tangible capital assets represent restricted contributions for the construction of the Co-op's distribution system. The changes during the year are as follows:

	<b>2025</b>	<b>2024</b>
Balance, Beginning of Year	\$ 4,702,271	\$ 4,853,956
Government grants received	90,291	-
Member contributions received	57,237	143,868
	<b>147,528</b>	<b>143,868</b>
Amortization of government grants	(97,657)	(101,009)
Amortization of member contributions	(188,905)	(194,544)
Balance, End of Year	<b>\$ 4,563,237</b>	<b>\$ 4,702,271</b>

**12. REPLACEMENT RESERVE INVESTMENT INCOME**

	<b>2025</b>	<b>2024</b>
Unrealized gains	\$ 82,441	\$ 145,748
Interest	54,036	72,351
Dividends	61,092	51,294
Realized gains (losses)	25,370	45,238
Management fees	(21,025)	(19,569)
	<b>\$ 201,914</b>	<b>\$ 295,062</b>

**13. RELATED PARTY TRANSACTIONS**

The Co-op's expenses include \$6,368 (2024 - \$10,309) to companies which are owned by Director's and immediate family members of General Manager.

These transactions were conducted in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## EAST SMOKY GAS CO-OP LTD.

### Notes to Financial Statements

Year Ended December 31, 2025

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#### 14. ECONOMIC DEPENDENCE

The Co-op is economically dependent on Gas Alberta Inc. to supply natural gas. However, there are currently no factors that would impair Gas Alberta Inc.'s ability to supply natural gas.

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#### 15. FINANCIAL INSTRUMENTS

The Co-op is exposed to various risks through its financial instruments. The following analysis provides information about the Co-op's risk exposure and concentration as of December 31, 2024.

##### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Co-op is exposed to credit risk from customers. In order to reduce its credit risk, the Co-op reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Co-op has a significant number of customers which minimizes concentration of credit risk.

##### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Co-op manages exposure through its normal operating and financing activities. The Co-op is exposed to interest rate cash flows risk through its bank indebtedness which bears interest at variable rates.

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Co-op enters into transactions denominated in United States dollars. As at December 31, 2024, amounts denominated in United States dollars included in replacement reserve investments are \$287,826 (2024 - \$197,796 (expressed in Canadian dollars)).

##### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Co-op's replacement reserve investments in publicly-traded securities expose the Co-op to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

##### Liquidity Risk

Liquidity risk is the risk that the Co-op will encounter difficulty in meeting obligations associated with financial liabilities. The Co-op is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources and accounts payable.

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#### 16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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**EAST SMOKY GAS CO-OP LTD.****Operations Expenses****(Schedule 1)****For The Year Ended December 31, 2025**

	<b>2025</b>	<b>2024</b>
Salaries, wages and benefits	<b>\$ 609,883</b>	<b>\$ 645,911</b>
Vehicles	<b>103,788</b>	<b>115,348</b>
System repairs and maintenance	<b>109,807</b>	<b>156,597</b>
Repairs and maintenance	<b>66,646</b>	<b>48,447</b>
Engineering fees	<b>13,251</b>	<b>12,454</b>
Sub-contracts	<b>7,624</b>	<b>8,214</b>
Health and safety	<b>4,610</b>	<b>-</b>
Equipment rentals	<b>-</b>	<b>80</b>
Overhead capitalization recovery	<b>(233,646)</b>	<b>(435,567)</b>
	<b>\$ 681,963</b>	<b>\$ 551,484</b>

The accompanying notes are an integral part of these financial statements

**EAST SMOKY GAS CO-OP LTD.****Administration Expenses****(Schedule 2)****For The Year Ended December 31, 2025**

	<b>2025</b>	<b>2024</b>
Salaries, wages and benefits	<b>\$ 248,578</b>	<b>\$ 234,517</b>
Office	<b>69,535</b>	<b>54,928</b>
Membership fees	<b>41,695</b>	<b>37,573</b>
Insurance	<b>41,334</b>	<b>34,001</b>
Advertising and promotion	<b>31,194</b>	<b>14,829</b>
Directors' fees	<b>28,190</b>	<b>23,776</b>
Professional fees	<b>23,526</b>	<b>21,887</b>
Training	<b>20,938</b>	<b>22,796</b>
Travel	<b>20,187</b>	<b>15,530</b>
Telephone	<b>16,732</b>	<b>18,134</b>
Building repairs and maintenance	<b>14,270</b>	<b>12,374</b>
Utilities	<b>10,266</b>	<b>10,034</b>
Interest and bank charges	<b>9,083</b>	<b>13,673</b>
Property taxes	<b>6,527</b>	<b>6,760</b>
Bad debts	<b>1,303</b>	<b>935</b>
	<b>\$ 583,358</b>	<b>\$ 521,747</b>

The accompanying notes are an integral part of these financial statements