Management Discussion and Analysis for Fiscal Year 2026
Petroleum Technology Alliance Canada (PTAC)

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PETROLEUM
TECHNOLOGY
ALLIANCE
CANADA

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Petroleum Technology Alliance Canada ("PTAC" or the "Organization") was incorporated in Alberta on October 7, 1996. PTAC was formed to support innovation, technology transfer, and collaborative research for the responsible development of Canada's upstream hydrocarbon energy industry. PTAC is a not-for-profit organization that follows Canadian accounting standards for not-for-profit organizations. Under Section 149(1) of the Income Tax Act of Canada, and in management's opinion, PTAC is exempt from income taxes.

This Management's Discussion and Analysis ("MD&A") reviews PTAC's financial position, operating results, key risks, and management priorities for the year ended March 31, 2026. It should be read with PTAC's FY2026 financial statements and annual reporting materials.

Core Business

In FY2026, PTAC supported practical innovation in the oil and gas sector. This work included methane detection and reduction, digital field operations, well decommissioning, remote sensing, species at risk management, and site remediation. PTAC brought together industry, government, researchers, regulators, and technology developers to address cost, operating, and environmental challenges.

PTAC's role is to act as a neutral convener and project manager. The Organization helps producers and other members define problems, develop projects, manage funding, and share results. This work supports environmental performance, operational efficiency, and responsible development of hydrocarbon energy in Canada.

Management's Discussion and Analysis

FY2026 was a lower-revenue year for PTAC, but the Organization remained liquid and continued to deliver important technical work. The main FY2027 challenge is to convert funding opportunities into active projects while maintaining cost discipline. Readers should also note that restricted cash is not the same as available operating flexibility, because much of PTAC's cash is tied to project, program, or internally restricted purposes.

PTAC's FY2026 results reflected lower project and service activity, reduced expenses, and continued liquidity. Total revenue declined to $4.6 million, while expenses decreased to $5.1 million. PTAC recorded a deficiency of revenue over expenses of $0.5 million and continued to deliver technical projects. Management's FY2027 focus is to expand the funded project pipeline, maintain cost discipline, and strengthen reporting, governance, and partner engagement.

Project and service revenue declined to $3.6 million from $5.1 million in FY2025, mainly because of slower project approvals, funding process changes, and projects that did not proceed as expected. Total financial statement revenue, including membership, events, interest, and miscellaneous income, was $4.6 million. This distinction is important because project and service revenues indicate the scale of PTAC-managed delivery activity, while total revenue reflects all sources reported in the financial statements.

FY2026 Year in Review

FY2026 was a year of continued delivery in a tighter funding environment. PTAC supported priority technical work while improving reporting and governance practices to strengthen long-term capacity. Key themes for the year were:

- Project and service revenue decreased, but PTAC maintained significant cash and restricted cash balances.
- Project activity continued in areas such as methane detection and reduction, digital field operations, well decommissioning, remote sensing, environmental monitoring, and site remediation.
- PTAC placed greater focus on cost control, funding pipeline development, and clearer reporting of cash and in-kind resources.
- Committee governance improvements supported better documentation, clearer roles, stronger conflict of interest practices, and closer alignment with PTAC's strategic priorities.

Corporate Governance

In FY2026, PTAC strengthened oversight, transparency, and consistency across the Organization through better committee documentation, clearer decision records, stronger conflict of interest practices, and closer alignment between project activity and strategic priorities.

Board of Directors

The Board continued to oversee strategy, financial stewardship, project delivery, and organizational resilience during a year of lower project and service revenue and funding uncertainty. The main functions of the Board include:

- Strategic planning and oversight - The Board provides direction on PTAC's long-term role, strategic priorities, project focus, and value to producers, members and partners.
- Financial stewardship, including audit and financial reporting oversight - The Board, supported by the Finance and Audit Committee, oversees financial reporting, audit matters, internal controls, and financial sustainability.
- Organizational continuity, leadership planning, and risk awareness - The Board supports management in maintaining PTAC's delivery capacity, managing risk, and preserving long-term organizational stability.

Committees

- Finance and Audit Committee: Oversees financial reporting, audit matters, and internal controls. The Finance and Audit Committee reviewed the year-end audited financial statements, the auditor's report, budget versus actual results, forecasting, GIC matters, and the Management Discussion and Analysis (MD&A) update.
- Executive Committee: Supports Board effectiveness and oversees routine governance matters between Board meetings.

Together, PTAC's committee structure supports clearer accountability, better oversight, and stronger confidence among producers, members, funders, and project partners.

Capacity to Deliver

PTAC's capacity to deliver in FY2026 was supported by liquidity, experienced staff, and long-standing relationships with industry, government, academic institutions, regulators, and technology developers. Although project and service revenue declined, PTAC continued to manage multi-partner projects in technical areas that matter to oil and gas producers.

PTAC also continued to host technical forums, engage members, and support collaboration among industry, regulators, researchers, and technology providers. Project management fees range from 10% to 15%, depending on project needs. This low-overhead model helps direct more funding to research, field work, and technology development.

The Alberta Upstream Petroleum Research Fund (AUPRF), administered by PTAC, remained an important part of PTAC's delivery capacity. The 2025 voluntary AER Well Levy generated approximately $3.7 million of industry contributions (a 61% collection rate). During the year, AUPRF supported a portfolio of 47 active projects, including 17 new projects launched. 10 projects were completed. Approximately $3.0 million in new project funding was awarded during the year. AUPRF-funded projects continued to leverage substantial in-kind and direct cash contributions from partners, materially expanding the total scale of research activity delivered through the program.

Financial Highlights[1]

The figures below show both PTAC's financial statement results and the broader resources connected to PTAC-supported projects. Revenue, expenses, cash, and restricted cash reflect amounts that flow through PTAC's accounts. In-kind support, direct partner contributions, and total project resources mobilized show the wider scale of project activity supported by partners, but they do not represent cash available for PTAC operations. This distinction helps readers assess PTAC's financial position separately from the total value of the projects it helps deliver.

FY2026 financial results show that PTAC remained liquid while operating in a lower-revenue environment. Total revenue was $4.6 million, compared with $6.0 million in FY2025. Total

[1] The financial information presented in this MD&A is based on PTAC's FY2026 financial statements. Final audited figures remain subject to Board approval of the audited financial statements.

expenses were $5.1 million, compared with $6.6 million in FY2025. PTAC recorded a deficiency of revenue over expenses of $0.51 million, compared with a deficiency of $0.59 million in FY2025.

Area	FY2026 Result	FY2025 Result	Change	Management Commentary
Total Revenue	$4.6 million	$6.0 million	-23%	Lower project and service activity due to funding challenges, project timing delays, and changes in funding processes.
Project & Service Revenue	$3.6 million	$5.1 million	-30%	Reduced project activity and slower project approvals were the primary drivers of the decline.
Membership Revenue	$0.31 million	$0.29 million	+7%	Membership revenue remained an important source of operating support, with the increase coming from improvements in membership engagement.
Event Revenue	$0.47 million	$0.35 million	+34%	Strong performance from the Methane Leadership Summit, Digital Forum, and other technical events exceeded budget expectations.
Interest Income	$0.20 million	$0.13 million	+56%	Active GIC management and higher interest rates generated stronger investment returns.
Total Expenses	$5.1 million	$6.6 million	-22%	Lower project activity reduced direct project costs, partially offset by higher staffing and professional fee expenses.
Direct Project & Service Costs	$2.5 million	$4.2 million	-40%	Expenses declined in line with lower project revenues and project activity levels.
Salaries & Wages	$2.0 million	$1.7 million	+18%	Costs increased due to additional staffing, summer students, benefit costs, and staff transition obligations.
Consulting & Professional Fees	$0.16 million	$0.08 million	+104%	Higher legal and audit-related costs contributed to the increase.
Deficiency of Revenue Over Expenses (EROE)	($0.51) million	($0.59) million	14% improvement	Despite the deficit, results improved slightly from FY2025, supported by stronger event and interest income.
Cash & Restricted Cash	$11.5 million	$10.7 million	+7%	Strong liquidity was maintained through cash management practices and project funding balances.
Restricted Cash	$8.6	$7.7	+12%	Increase reflects project-related funds and internally

	million	million		restricted reserves held for future obligations.
In-Kind Revenue & Direct Partner Contributions	~$20.5 million	~$16.3 million	+19%	FY2025 comparative adjusted to include previously unreported AUPRF-related in-kind contributions.
Total Project Resources Mobilized	~$24.1 million	~$21.5 million	+10%	Combines cash project revenue and in-kind contributions to reflect the full scale of PTAC-supported activity.

A large portion of PTAC's cash is restricted or tied to project and program obligations. The financial statements note that restricted cash may not be used without the approval of the Board or external committees. For this reason, PTAC's liquidity should be assessed using unrestricted cash, deferred contribution balances, project commitments, and timing of expected project spending, rather than total cash alone.

PTAC also continued to use short-term GICs as part of its cash management approach. Management reporting noted that PTAC invested in 30-day GICs during the year and that this strategy supported interest income. Interest income was $0.20 million, compared with a budget of $0.18 million.

Direct Partner Contributions and In-Kind Reporting

PTAC-facilitated projects are supported by two complementary funding streams: PTAC cash revenue and partner-supported contributions.

The first stream is PTAC cash revenue: project and service funds that flow through PTAC's own bank accounts. These amounts are reported in the audited financial statements as project and service revenue.

The second stream is direct partner cash contributions and in-kind contributions. These are resources provided by partners, including industry participants, government-supported technology innovators, or technology providers, directly to the research or technology development organization delivering the project rather than through PTAC. Because these funds never enter PTAC's accounts, they are not part of PTAC's financial statement revenue, but they are essential to completing the project scope. In-kind contributions are recognized only where they are measurable, documented, and directly tied to a PTAC-managed or PTAC-facilitated project, consistent with PTAC's in-kind revenue recognition policy.

Management reports direct partner cash contributions and in-kind contributions separately from PTAC cash revenue. This presentation avoids overstating PTAC's cash resources while still showing the wider value of partner support and the true scale of PTAC-facilitated activity.

For FY2026, management reporting identified total in-kind revenue and matching in-kind expenses of approximately $20.5 million. Total project resources mobilized in FY2026 were approximately $24.1 million, of which PTAC-managed cash represented about 12% and partner in-kind and direct partner cash contributions represented approximately 88%.

Readers will note that the FY2025 in-kind and total project resources figures presented in this MD&A differ from those reported last year. The FY2025 comparative has been increased to include AUPRF-linked in-kind contributions that were not captured in PTAC's prior-year management reporting. This adjustment reflects PTAC's updated in-kind revenue recognition policy and improved integration of AUPRF quarterly in-kind tracking into PTAC's consolidated reporting. This is a management-reporting adjustment only and does not affect PTAC's audited financial statements, cash position, deferred contributions, restricted funds, or deficiency of revenue over expenses reported for FY2025. The same reporting approach has been applied to FY2026 to provide a more complete picture of total partner-supported project resources.

The main categories of direct partner contributions/in-kind support were:

- Government-supported technology innovator contributions: support linked to government-funded project structures, including contributions allocated to technology companies or project participants.
- Technology innovator contributions: direct cash and in-kind support from technology providers, including materials, equipment, software, technical services, testing support, or other project inputs.
- Industry partner contributions: cash contributions and, where applicable, measurable in-kind support provided by producers and other industry partners toward project delivery.

These contributions demonstrate the leverage PTAC helps create. They show that PTAC-supported projects draw on resources beyond PTAC's own cash accounts, giving readers a fuller view of project scale, partner support, and value created for producers, funders, members, and project participants.

Subsequent Events / Future Developments

After year-end, management's focus is on preparing PTAC for FY2027 by rebuilding the funded project pipeline and maintaining financial discipline. A potential future opportunity is the Canadian Fuels Compliance Fund (CFCF), which is being established as an Emissions Reduction Funding Program under Canada's Clean Fuel Regulations. If activated at scale, CFCF is expected over time to support new collaborative projects and further strengthen engagement with industry and government partners. No CFCF-related revenue, contributor commitments, or project activity beyond what has already occurred should be inferred from this MD&A; future CFCF revenue and activity remain subject to program launch, contributor participation, and CFCF Board and regulatory decisions.

Initial CFCF setup activity began in FY2026, and management expects CFCF to become a more meaningful focus in FY2027 as the program moves through setup and implementation. Any CFCF revenue will be recognized only when the related activity is delivered and reported.

The CFCF has a dedicated Board with fiduciary and governance oversight. This Board is responsible for budget oversight, financial controls, independent audit oversight, conflict of interest safeguards, risk management, governance and senior leadership appointment approvals, and approval of annual reports submitted to ECCC. The CFCF Board's role is distinct from the PTAC Board, which continues to oversee PTAC's own role, financial exposure, and material decisions in relation to CFCF. Over time, the expectation is for complete independence.

Risk and Outlook

PTAC enters FY2027 with a stable financial position, strong technical networks, and a clear role in supporting innovation in Canada's oil and gas sector. Project activity depends on industry and government funding, program approvals, member support, and partner participation.

The main risks are funding uncertainty, project approval delays, pressure on member and partner budgets, and the need to keep enough staff capacity to manage complex projects.

These risks are partly offset by PTAC's liquidity, experienced staff, committee structure, technical networks, and low-overhead project delivery model. Management will continue to focus on cost control, stronger reporting, member and partner engagement, and projects that provide clear value to funders and stakeholders.

Management Focus for FY2027

For FY2027, management will focus on funded project development, cost discipline, forecasting, governance, and member and stakeholder engagement. Key priorities are:

- Advance the next phase of CFCF establishment, readiness planning, and program implementation activities.
- Increase project and service revenue through work aligned with PTAC's technical priorities.
- Maintain a disciplined cost structure and better align staffing costs with secured revenue.
- Improve forecasting accuracy and respond earlier when risks emerge.
- Maintain focus on achieving the priorities established in the 2026 strategic plan.
- Support member and stakeholder engagement through technical forums, project updates, and knowledge transfer.
- Continue to strengthen Board governance and effectiveness through a Board composition that reflects diverse experience, expertise, and strategic capabilities.