

DEFENCE CONSTRUCTION CANADA

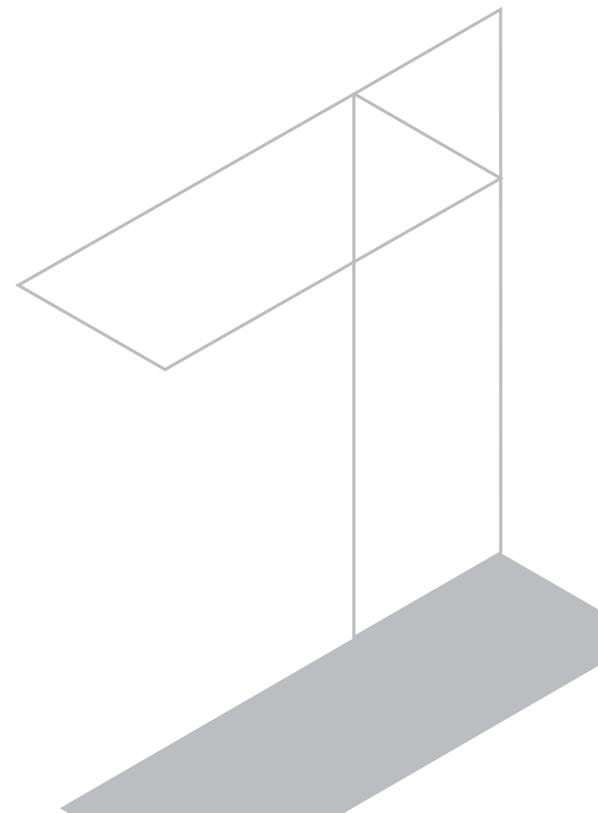
2025-2026 THIRD QUARTER FINANCIAL REPORT

PERIOD ENDED DECEMBER 31, 2025

**Management's Discussion and Analysis,
and Unaudited Condensed Interim
Financial Statements**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (MD&A) outlines the financial results and operational changes for the third quarter ended December 31, 2025, for Defence Construction Canada (the "Corporation" or "DCC"). This discussion should be read in conjunction with the unaudited condensed interim financial statements for the period ended December 31, 2025.

The Corporation prepared this quarterly report as per the requirements of the *Financial Administration Act*. This statute requires all federal Crown corporations to prepare and make public a report within 60 days of the end of each fiscal quarter. These statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report, and are reported in Canadian dollars. The Corporation also recommends that this information be read in conjunction with the Corporation's MD&A and annual financial statements for the year ended March 31, 2025 (the "*Annual Report 2024-2025*"). DCC management is responsible for the information presented in the MD&A and unaudited condensed interim financial statements.

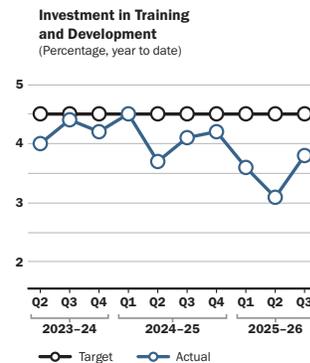
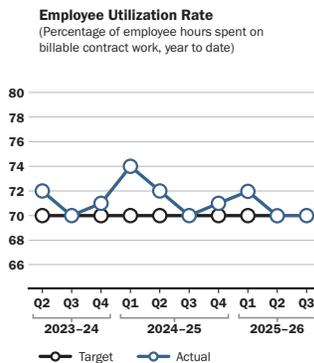
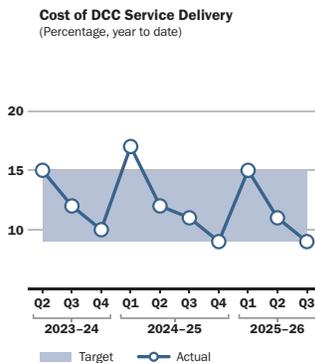
In the following analysis, all references to the third quarter refer to the three months ended December 31, 2025. All references to the previous year's third quarter relate to the three months ended December 31, 2024. All references to the year-to-date period refer to the nine months ended December 31, 2025. All references to the previous year-to-date period refer to the nine months ended December 31, 2024. All references to the previous year end relate to March 31, 2025.

1.0 CORPORATE PROFILE

DCC is a Crown corporation that procures and delivers defence infrastructure and environmental projects. DCC's principal mandate is to meet the infrastructure, real property and environmental needs of the Department of National Defence and the Canadian Armed Forces (DND/CAF) by advising on, collaboratively planning, procuring and managing defence contracts.

2.0 OPERATIONAL PERFORMANCE INDICATORS

Operational performance indicator	Nine months ended December 31, 2025	Target
Cost of DCC service delivery	9%	9% to 15%
Employee utilization rate	70%	70%
Investment in training and development	3.8%	4.5%



3.0 RISK MANAGEMENT

There have been no material changes to the corporate risks identified by management and discussed in Section 5.0, Risk Management, of the MD&A in DCC's *Annual Report 2024-2025*.

4.0 FINANCIAL PERFORMANCE

4.1 FINANCIAL RESULTS

	Three months ended		Change		Nine months ended		Change	
	December 31				December 31			
(in thousands of dollars)	2025	2024	\$	%	2025	2024	\$	%
Services revenue	\$ 52,240	\$ 47,100	5,140	11%	\$ 155,021	\$ 145,624	9,397	6%
Travel and disbursement revenue	1,348	1,125	223	20%	3,688	3,040	648	21%
Investment revenue	734	747	(13)	-2%	2,257	2,296	(39)	-2%
Other revenue	233	—	233	*	233	—	233	*
Total revenue	\$ 54,555	\$ 48,972	5,583	11%	\$ 161,199	\$ 150,960	10,239	7%
Salaries and employee benefits	\$ 48,268	\$ 42,864	5,404	13%	\$ 142,052	\$ 129,853	12,199	9%
Operating and administrative expenses	4,996	3,964	1,032	26%	11,655	10,966	689	6%
Travel and disbursement expenses	1,348	1,125	223	20%	3,688	3,040	648	21%
Depreciation and amortization	626	448	178	40%	1,514	1,359	155	11%
Finance costs	148	62	86	139%	268	194	74	38%
Total expenses	\$ 55,386	\$ 48,463	6,923	14%	\$ 159,177	\$ 145,412	13,765	9%
Net income and comprehensive income	\$ (831)	\$ 509	(1,340)	-263%	\$ 2,022	\$ 5,548	(3,526)	-64%

*The change was not meaningful.

Services revenue was \$52 million in the third quarter, an increase of \$5 million or 11% from the previous year's third quarter. For the year-to-date period, services revenue was \$155 million, an increase of \$9 million or 6% over the previous year-to-date period. This was due to an increase in demand for services from the Client-Partners, combined with a billing rate increase of 3.25%.

The increase in salaries and employee benefits was primarily due to annual compensation adjustments related to economic factors, performance pay, and benefits. The remaining increase was due to an increase of approximately 4% (or 52) in full-time equivalents (FTEs) when compared with the previous year-to-date period.

Operating and administrative expenses were \$5 million in the third quarter, an increase of approximately 26% over the previous year's third quarter. For the year-to-date period, operating and administrative expenses totalled \$12 million, an increase of approximately 6% from the previous year-to-date period. The increases were primarily influenced by information technology, general administrative expenses, and travel, hospitality, and training.

Information technology expenses totalled \$2 million in the third quarter, an increase of \$831,000 or 51% over the previous year's third quarter. For the year-to-date period, information technology expenses totalled \$6 million, an increase of \$995,000 or 20% over the previous year-to-date period. The increases were primarily due to computer equipment purchases for new employees hired to meet increased demand for services from the Client-Partners and the purchase of additional enterprise resource planning software licences.

General administrative expenses totalled \$529,000 in the third quarter, an increase of \$200,000 or 61% over the previous year's third quarter. For the year-to-date period, general administrative expenses totalled \$1 million, an increase of \$118,000 or 12% over the previous year-to-date period. The increases were primarily due to the costs of hosting DND & DCC Industry Day.

Travel, hospitality, and training costs totalled \$1 million in the third quarter, an increase of \$164,000 or 19% over the previous year's third quarter. For the year-to-date period, travel, hospitality, and training costs totalled \$2 million, an increase of \$58,000 or 3% over the previous year-to-date period. The increases were primarily due to new regional training initiatives aimed at strengthening leadership capability.

4.2 LIQUIDITY AND CAPITAL RESOURCES

DCC's financial and cash management policy is discussed in the *Annual Report 2024–2025*.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments totalled \$86 million at December 31, 2025, a decrease of \$11 million or 12% from March 31, 2025.

The cash and cash equivalents balance at December 31, 2025, was \$30 million, a decrease of \$16 million or 34% from March 31, 2025. In the nine-month period after March 31, 2025, the Corporation had net cash outflows of \$10.6 million on operating activities, had net acquisitions of investments of \$4.3 million, spent \$352,000 on capital expenditures, and paid \$671,000 for lease obligations.

As at December 31, 2025, DCC's overall cash balance was within its 2025–26 targeted operating cash reserves of \$24 to \$34 million.

Investments (both current and long term) at December 31, 2025, were \$55 million, an increase of \$5 million from the previous year end. The increase was primarily due to the purchase of guaranteed investment certificates (GICs) and provincial bonds.

Liquidity and capital resources (in thousands of dollars)	As at		Change	
	December 31, 2025	March 31, 2025	\$	%
Cash and cash equivalents	\$ 30,478	\$ 46,421	(15,943)	-34%
Investments	55,130	50,429	4,701	9%
Cash and cash equivalents and investments	\$ 85,608	\$ 96,850	(11,242)	-12%

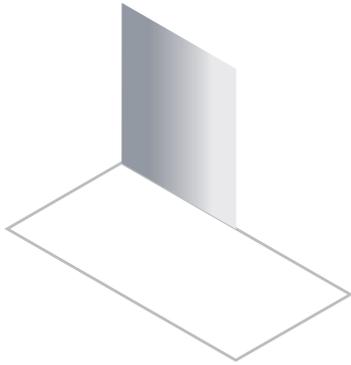
4.3 ACTUAL PERFORMANCE VERSUS PLAN

The following table compares the Corporation's actual performance in the year-to-date period with the projections in the Corporate Plan (the Plan).

Revenue generation is tracking slightly below initial projections. This is primarily due to services revenue for the period being \$4 million lower than projected in the Plan as a result of lower-than-anticipated demand for services from the Client-Partners.

Total expenses are tracking in line with initial projections. Overall, the Corporation remains on track to meet its financial targets for the full fiscal year.

	Nine months ended December 31, 2025		Change	
	Actual	Corporate Plan	\$	%
<i>(in thousands of dollars)</i>				
Revenue				
Services revenue	\$ 155,021	\$ 158,896	(3,875)	-2%
Travel and disbursement revenue	3,688	2,356	1,332	57%
Investment revenue	2,257	2,232	25	1%
Other revenue	233	—	233	0%
Total revenue	\$ 161,199	\$ 163,484	(2,285)	-1%
Expenses				
Salaries and employee benefits	\$ 142,052	\$ 141,622	430	0%
Operating and administrative expenses	11,655	13,063	(1,408)	-11%
Travel and disbursement expenses	3,688	2,356	1,332	57%
Depreciation and amortization	1,514	1,349	165	12%
Finance costs	268	196	72	37%
Total expenses	\$ 159,177	\$ 158,586	591	0%
Net income and comprehensive income	\$ 2,022	\$ 4,898	(2,876)	-59%
Capital expenditures	\$ 4,209	\$ 3,294	915	28%
Contract expenditures	\$ 1,221,404	\$ 989,274	232,130	23%



UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS



MANAGEMENT RESPONSIBILITY STATEMENT

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. Management is also responsible for such internal controls as it determines are necessary to enable the preparation of condensed interim financial statements that are free from material misstatement. In addition, management is responsible for ensuring that all other information in this quarterly financial report is consistent, as appropriate, with the condensed interim financial statements. Based on our knowledge, these unaudited condensed interim financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the condensed interim financial statements.

Original signed by

Derrick Cheung
President and Chief Executive Officer

Marie-Josée Lacombe, CPA
*Vice-President, Finance and
Human Resources, and
Chief Financial Officer*

Ottawa, Canada
February 23, 2026

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	Notes	As at	
		December 31, 2025	March 31, 2025
Assets			
Cash and cash equivalents		\$ 30,478	\$ 46,421
Investments	6	8,015	9,797
Accrued revenue	9	2,558	—
Trade receivables	13	40,989	21,239
Prepaid expenses		2,921	1,920
Salary and other receivables		2,381	1,770
Current assets		\$ 87,342	\$ 81,147
Investments	6	47,115	40,632
Property, plant and equipment	7	2,108	2,165
Intangible assets		57	97
Right-of-use assets	12	8,404	5,612
Non-current assets		\$ 57,684	\$ 48,506
Total assets		\$ 145,026	\$ 129,653
Liabilities			
Trade and other payables	13	\$ 23,499	\$ 21,669
Deferred revenue	9	5,350	399
Employee benefits	8	987	860
Lease obligations	12	706	1,045
Current liabilities		\$ 30,542	\$ 23,973
Employee benefits	8	49,261	46,006
Lease obligations	12	9,126	5,599
Non-current liabilities		\$ 58,387	\$ 51,605
Total liabilities		\$ 88,929	\$ 75,578
Equity			
Share capital: Authorized (1,000 common shares of no par value); issued (32 common shares)		—	—
Retained earnings		56,097	54,075
Total equity		\$ 56,097	\$ 54,075
Total liabilities and equity		\$ 145,026	\$ 129,653

Commitments: See Note 12. Contingent liabilities: See Note 14.

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

CONDENSED INTERIM STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

(in thousands of dollars)	Notes	Three months ended December 31		Nine months ended December 31	
		2025	2024	2025	2024
Services revenue	9	\$ 52,240	\$ 47,100	\$ 155,021	\$ 145,624
Travel and disbursement revenue		1,348	1,125	3,688	3,040
Investment revenue		734	747	2,257	2,296
Other revenue		233	—	233	—
Total revenue		\$ 54,555	\$ 48,972	\$ 161,199	\$ 150,960
Salaries and employee benefits		\$ 48,268	\$ 42,864	\$ 142,052	\$ 129,853
Operating and administrative expenses	10	4,996	3,964	11,655	10,966
Travel and disbursement expenses		1,348	1,125	3,688	3,040
Depreciation and amortization	7, 12	626	448	1,514	1,359
Finance costs	12	148	62	268	194
Total expenses		\$ 55,386	\$ 48,463	\$ 159,177	\$ 145,412
Net income (loss) and comprehensive income (loss)		\$ (831)	\$ 509	\$ 2,022	\$ 5,548

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2025	2024	2025	2024
Share capital	\$ —	\$ —	\$ —	\$ —
Retained earnings				
Balance as at the beginning of the period	56,928	52,304	54,075	47,265
Net income (loss) and comprehensive income (loss)	(831)	509	2,022	5,548
Balance as at the end of the period	\$ 56,097	\$ 52,813	\$ 56,097	\$ 52,813
Equity	\$ 56,097	\$ 52,813	\$ 56,097	\$ 52,813

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(in thousands of dollars)	Notes	Three months ended December 31		Nine months ended December 31	
		2025	2024	2025	2024
Cash flow provided by (used in) operating activities					
Net income (loss)		\$ (831)	\$ 509	\$ 2,022	\$ 5,548
Adjustments to reconcile net income to cash provided by (used in) operating activities					
Employee benefits expensed	8	1,299	1,116	3,897	3,348
Employee benefits paid	8	(174)	(145)	(515)	(424)
Depreciation and amortization	7, 12	626	448	1,514	1,359
Accretion of investment premiums		(139)	(88)	(397)	(221)
Amortization of investment premiums		7	10	25	33
Change in non-cash operating working capital					
Trade receivables		1,591	925	(19,750)	(509)
Salary and other receivables		(272)	591	(611)	(542)
Prepaid expenses		(143)	451	(1,001)	(925)
Accrued revenue		587	(112)	(2,558)	(2,940)
Trade and other payables		(1,149)	(1,945)	1,832	(454)
Deferred revenue		1,190	1,258	4,951	3,755
Net cash flows provided by (used in) operating activities		\$ 2,592	\$ 3,018	\$ (10,591)	\$ 8,028
Cash flows provided by (used in) investing activities					
Acquisition of investments		(3,553)	(11,501)	(10,598)	(12,501)
Redemption and disposition of investments		1,560	1,000	6,269	2,736
Acquisition of property, plant and equipment	7	(65)	(6)	(352)	(91)
Net cash flows used in investing activities		\$ (2,058)	\$ (10,507)	\$ (4,681)	\$ (9,856)
Cash flows used in financing activities					
Repayment of lease obligations	12	(159)	(228)	(671)	(686)
Net cash flows used in financing activities		\$ (159)	\$ (228)	\$ (671)	\$ (686)
Increase (decrease) in cash and cash equivalents during the period		375	(7,717)	(15,943)	(2,514)
Cash and cash equivalents at the beginning of the period		30,103	31,372	46,421	26,169
Cash and cash equivalents at the end of the period		\$ 30,478	\$ 23,655	\$ 30,478	\$ 23,655
Supplemental cash flow information					
Interest received from investments		\$ 503	\$ 417	\$ 1,484	\$ 1,182
Interest received from bank deposits		\$ 228	\$ 325	\$ 763	\$ 1,103
Interest charges on lease obligations		\$ 148	\$ 62	\$ 268	\$ 194
Acquisition of property, plant and equipment not paid		\$ 8	\$ —	\$ 8	\$ —

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

NOTICE TO READERS

These condensed interim financial statements have not been audited or reviewed by an external auditor and must be read in conjunction with the most recent financial statements for the year ended March 31, 2025, and with the management's discussion and analysis (MD&A) included in this quarterly financial report.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Unless otherwise stated, all amounts are in thousands of Canadian dollars.

1. DESCRIPTION OF BUSINESS AND OBJECTIVES

Defence Construction (1951) Limited ("the Corporation") was incorporated under the *Companies Act* in 1951 pursuant to the authority of the *Defence Production Act* and continued under the *Canada Business Corporations Act*. The Corporation's Head Office is located at 350 Albert Street, Ottawa, Ontario, Canada. The Corporation is an agent Crown corporation named in Part 1 of Schedule III to the *Financial Administration Act*. In 1980, under the Federal Identity Program, the Corporation was provided "Defence Construction Canada" as an applied title. Since 1996, responsibility for the Corporation has rested with the Minister of Government Transformation, Public Works and Procurement.

The mandate of the Corporation is to provide procurement, construction, professional, operations and maintenance services in support of the defence of Canada. The prime, but not exclusive, beneficiary of the Corporation's services is the Department of National Defence (DND). The Corporation also provides services to the Canadian Forces Housing Agency, Communications Security Establishment, Shared Services Canada, and Public Services and Procurement Canada. Revenue is generated from fees charged for specific services provided.

2. BASIS OF PREPARATION AND PRESENTATION

The Corporation prepared these condensed interim financial statements in accordance with International Accounting Standard 34 (IAS 34), Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. As permitted under IAS 34, these condensed interim financial statements do not include all of the disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited financial statements for its fiscal year ended March 31, 2025, and the current quarter's MD&A.

The condensed interim financial statements have been prepared according to the International Financial Reporting Standards (IFRS) effective when these statements were prepared. The statements have been prepared on a historical cost basis, except as permitted by the IFRS and as otherwise indicated in these notes.

3. SUMMARY OF ACCOUNTING POLICIES

These condensed interim financial statements follow the same accounting policies and methods of computation described in the notes to the Corporation's audited financial statements for the year ended March 31, 2025. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

4. CRITICAL ACCOUNTING ESTIMATES

Under the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from the judgments, estimates and assumptions.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised when the revision affects only that period, or in the period of the revision and future periods when the revision affects both current and future periods. Critical judgments and key sources of estimation uncertainty are disclosed in the notes to the Corporation's annual financial statements for the year ended March 31, 2025.

5. STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Corporation actively monitors new and amended IASB standards. The IASB did not issue any such standards that had an impact on the Corporation's condensed interim financial statements.

6. INVESTMENTS

Investments consist of Canadian provincial bonds with effective interest rates ranging from 1.2% to 4.0% (coupon rates ranging from 2.6% to 4.0%) and guaranteed investment certificates (GICs) with effective interest rates ranging from 1.3% to 5.1% (coupon rates ranging from 1.3% to 5.1%).

The maturity dates of the bonds vary from June 2026 to June 2033, and those of the GICs from March 2026 to October 2030, and the Corporation intends to hold all of them to maturity. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the following table.

	As at	
	December 31, 2025	March 31, 2025
Current portion	\$ 8,015	\$ 9,797
Long-term portion	47,115	40,632
Total investments	\$ 55,130	\$ 50,429

Carrying amount at amortized cost	As at	
	December 31, 2025	March 31, 2025
Provincial bonds	\$ 18,290	\$ 15,049
Guaranteed investment certificates	36,840	35,380
	\$ 55,130	\$ 50,429

The fair value of the investments can be determined by (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The fair values of the investments are not quoted in an active market but rather are determined from quoted prices from a decentralized, over-the-counter market, which is considered Level 2 in the fair value hierarchy.

The current portion of investments consists of instruments maturing in the next 12 months.

Fair value	As at	
	December 31, 2025	March 31, 2025
Provincial bonds	\$ 18,273	\$ 15,121
Guaranteed investment certificates	37,730	35,655
	\$ 56,003	\$ 50,776

	As at December 31, 2025					Total
	Effective interest rate	Coupon interest rate	Less than one year	One to five years	Over five years	
<i>Obligations</i>						
Provincial bonds	1.2% to 4.0%	2.6% to 4.0%	\$ 2,235	\$ 8,883	\$ 7,172	\$ 18,290
Guaranteed investment certificates	1.3% to 5.1%	1.3% to 5.1%	5,780	31,060	—	36,840
			\$ 8,015	\$ 39,943	\$ 7,172	\$ 55,130

7. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment are shown in the following table.

Cost	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance as at March 31, 2025	\$ 700	\$ 1,558	\$ 2,773	\$ 5,031
Additions	228	16	106	350
Disposals	—	(4)	—	(4)
Balance as at December 31, 2025	\$ 928	\$ 1,570	\$ 2,879	\$ 5,377

Accumulated depreciation	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance as at March 31, 2025	\$ 666	\$ 1,116	\$ 1,084	\$ 2,866
Depreciation	35	144	228	407
Disposals	—	(4)	—	(4)
Balance as at December 31, 2025	\$ 701	\$ 1,256	\$ 1,312	\$ 3,269

Net book value, by asset class	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Net book value as at March 31, 2025	\$ 34	\$ 442	\$ 1,689	\$ 2,165
Net book value as at December 31, 2025	\$ 227	\$ 314	\$ 1,567	\$ 2,108

There was no impairment of property, plant and equipment during the period.

8. EMPLOYEE BENEFITS

Post-employment and other long-term employee benefits represent the Corporation's liability for the estimated costs of sick leave for employees, retirement allowance for certain employees at retirement, and health, dental and life insurance benefits for retirees. The benefit plan is not funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions are disclosed in the annual financial statements for the year ended March 31, 2025. The measurement date for the last actuarial valuation of the provision for employee benefits was March 31, 2023. The next actuarial valuation is planned for March 2026 or sooner, as required.

	As at	
	December 31, 2025	March 31, 2025
Current portion	\$ 987	\$ 860
Long-term portion	49,261	46,006
Total employee benefits	\$ 50,248	\$ 46,866

Movements in the present value of the defined benefits obligation during the year were as follows.

Balance as at March 31, 2025	\$ 46,866
Current service cost	2,123
Interest on present value of obligation	1,774
Employee benefit premiums	(515)
Balance as at December 31, 2025	\$ 50,248

Amounts recognized in the Condensed Interim Statement of Profit and Comprehensive Income for the period in respect of this benefit plan are as follows.

	Three months ended December 31		Nine months ended December 31	
	2025	2024	2025	2024
Current service cost	\$ 707	\$ 613	\$ 2,123	\$ 1,838
Interest on present value of obligation	592	503	1,774	1,510
Employee benefit expenses	\$ 1,299	\$ 1,116	\$ 3,897	\$ 3,348

9. REVENUE RECOGNITION

9.1 ACCOUNTING POLICY

Accrued revenue arises when, at a reporting date, the services delivered through fixed-fee service-level arrangements exceed the amount of revenue invoiced.

9.2 SEGMENTED AND DISAGGREGATED REVENUE INFORMATION

The following table disaggregates revenue by activity.

Activity	Three months ended December 31		Nine months ended December 31	
	2025	2024	2025	2024
Contract Management	\$ 22,171	\$ 19,617	\$ 64,195	\$ 59,924
Project and Program Management	12,739	11,435	37,688	35,446
Real Property Technical Support	5,303	5,416	16,806	16,648
Contracting	3,956	3,514	11,409	11,030
Construction Technical Support	4,319	3,763	13,502	11,744
Environmental Technical Support	3,752	3,355	11,421	10,832
Total revenue	\$ 52,240	\$ 47,100	\$ 155,021	\$ 145,624

The following table disaggregates revenue by contract type.

Contract type	Three months ended December 31		Nine months ended December 31	
	2025	2024	2025	2024
Time-based revenue	\$ 24,454	\$ 21,892	\$ 73,265	\$ 63,268
Fixed-fee revenue	27,786	25,208	81,756	82,356
Total revenue	\$ 52,240	\$ 47,100	\$ 155,021	\$ 145,624

As at December 31, 2025, \$5,350 (March 31, 2025, \$399) in deferred revenue was related to performance obligations that have not yet been satisfied. Management expects the balance to be recognized as revenue by March 31, 2026. The changes in deferred revenue are shown in the following table.

	December 31, 2025	March 31, 2025
Balance as at the beginning of the period	\$ 399	\$ 920
Recognition of deferred revenue	(260)	(953)
Amounts invoiced and revenue deferred	5,211	432
Balance as at the end of the period	\$ 5,350	\$ 399

10. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year are detailed in the following table.

	Three months ended December 31		Nine months ended December 31	
	2025	2024	2025	2024
Information technology	\$ 2,455	\$ 1,624	\$ 5,866	\$ 4,871
Travel, hospitality and training	1,041	877	2,160	2,102
General administrative expenses	529	329	1,101	983
Professional services	471	684	1,273	1,673
Occupancy costs	365	381	982	975
Staffing	135	69	273	362
Total operating and administrative expenses	\$ 4,996	\$ 3,964	\$ 11,655	\$ 10,966

11. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

11.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms of the financial instrument. The carrying value of financial assets subject to credit risk as at December 31, 2025, was \$128,978 (March 31, 2025, \$119,859) and represented the Corporation's maximum exposure to credit risk.

The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the financial asset. The Corporation minimizes credit risk on cash by depositing the cash only with reputable and high-quality financial institutions.

The Corporation has no significant exposure to credit risk on trade receivables, since all of the trade receivables are due from departments of the Government of Canada. The Corporation is exposed to concentration risk in relation to trade receivables with DND, as described in Note 13. Based on historic default rates and the aging analysis, the Corporation evaluates the loss allowance on trade receivables (based on lifetime expected credit loss) to be \$nil (2025, \$nil).

The following table shows the fair value through profit or loss (FVTPL) of the financial assets subject to credit risk.

	As at December 31, 2025		
	FVTPL	Amortized cost	Total carrying amount
Cash and cash equivalents	\$ 30,478	\$ —	\$ 30,478
Investments	—	55,130	55,130
Trade receivables	—	40,989	40,989
Salary and other receivables	—	2,381	2,381
Total financial assets	\$ 30,478	\$ 98,500	\$ 128,978

	As at March 31, 2025		
	FVTPL	Amortized cost	Total carrying amount
Cash and cash equivalents	\$ 46,421	\$ —	\$ 46,421
Investments	—	50,429	50,429
Trade receivables	—	21,239	21,239
Salary and other receivables	—	1,770	1,770
Total financial assets	\$ 46,421	\$ 73,438	\$ 119,859

11.2 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Included within trade and other payables are accounts payable, accrued liabilities, accrued vacation and overtime, and commodity taxes payable. The financial liabilities subject to liquidity risk include accounts payable and accrued liabilities. These financial liabilities, including estimated interest payments, were due to mature entirely within six months or less as at December 31, 2025, with the exception of provisions (Note 14) for which the timing of outflows is uncertain. The carrying value of these financial liabilities as at December 31, 2025, was \$12,532 (March 31, 2025, \$12,329) and was equal to the contractual cash flows representing the maximum exposure of the Corporation. The Corporation manages its liquidity risk by monitoring and managing its cash flow from operations and anticipated investing activities. The liquidity risk is low since the Corporation does not have debt instruments and derives its cash flow from services offered to the Government of Canada. In addition, as at December 31, 2025, the Corporation's financial assets exceeded its financial liabilities by \$116,446 (March 31, 2025, \$107,530).

11.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises three types of risk: currency risk, interest rate risk, and other price risk. The Corporation's financial assets and financial liabilities are not exposed to fluctuations in currency risk and other price risk, given their underlying nature and characteristics.

The Corporation is exposed to fluctuations in interest rates on its investments. As at December 31, 2025, all of the investments (\$55,130) were in fixed interest-bearing instruments (March 31, 2025, \$50,429). Fluctuations in the interest rate would affect the fair value of the instruments. Management intends to hold these instruments until maturity. The Corporation has determined that the market risk is not significant.

12. LEASES

12.1 RIGHT-OF-USE ASSETS

The Corporation's right-of-use assets comprise office space and facilities for information technology (data warehouses). The Corporation has included extension options in the measurements of its lease liability when it is reasonably certain it will exercise the extension option.

The changes in right-of-use assets are shown in the following table.

	Office space leases	Data warehouse leases	Total
Balance as at March 31, 2025	\$ 5,474	\$ 138	\$ 5,612
Additions	3,797	—	3,797
Modifications	62	—	62
Depreciation	(997)	(70)	(1,067)
Balance as at December 31, 2025	\$ 8,336	\$ 68	\$ 8,404

12.2 LEASE OBLIGATIONS

	As at	
	December 31, 2025	March 31, 2025
Current portion	\$ 706	\$ 1,045
Long-term portion	9,126	5,599
Total lease obligations	\$ 9,832	\$ 6,644

Balance as at March 31, 2025	\$	6,644
Additions		3,797
Modifications		62
Payments		(939)
Interest expense		268
Balance as at December 31, 2025	\$	9,832

The following table shows the contractual undiscounted cash flows for lease obligations as at December 31, 2025.

One year or less	\$	1,099
Between one and two years		1,070
Between two and five years		4,061
Over five years		5,709
Total	\$	11,939

The following table shows the breakdown of lease payments. Variable lease payments consist of amounts for operating costs, property taxes and insurance. There were no expenses relating to short-term leases, and expenses relating to leases of low-value assets were immaterial.

	Three months ended December 31		Nine months ended December 31	
	2025	2024	2025	2024
Variable lease payments	\$ 317	\$ 280	\$ 895	\$ 787
Total cash outflow for leases	\$ 624	\$ 570	\$ 1,834	\$ 1,667
Principal repayment on lease obligations	\$ 159	\$ 228	\$ 671	\$ 686

13. RELATED-PARTY TRANSACTIONS AND BALANCES

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under its stated mandate. These transactions are measured at fair value, which is the actual amount of the consideration given or received for the services provided. The Corporation's services revenue in the third quarter totalled \$52,240, compared to \$47,100 in the same period in 2024-25, and was generated from services provided to entities owned by the Government of Canada. For the year-to-date period, this revenue totalled \$155,021, compared to \$145,624 for the previous year-to-date period. The amounts due from and to related parties are included in trade receivables and in trade and other payables, respectively, and are shown in the following table.

	As at	
	December 31, 2025	March 31, 2025
Due from		
Department of National Defence	\$ 38,191	\$ 18,082
Canadian Forces Housing Agency	2,434	2,944
Communications Security Establishment	331	163
Shared Services Canada	33	50
	\$ 40,989	\$ 21,239
Due to		
Public Services and Procurement Canada	\$ 3,502	\$ —
Canada Revenue Agency	1,252	1,711
Department of Justice Canada	230	152
Canadian Museum of History	11	—
Shared Services Canada	—	2
	\$ 4,995	\$ 1,865

The Corporation incurs expenses with other Government of Canada departments. These transactions totalled \$406 for the third quarter, compared to \$345 in the same period in 2024-25. The transactions totalled \$970 for the year-to-date period of 2025-26, compared to \$625 for the same period in 2024-25. Of these expenses, the Corporation recovered \$377 from the Client-Partners in the third quarter and \$915 in the year-to-date period.

In accordance with the Memorandum of Understanding between DND and the Corporation, DND is to provide office accommodations free of charge to the Corporation's service delivery personnel at DND-owned bases and wings and at other locations. Where office space is not provided, and for the Corporation's service delivery personnel who cannot be accommodated at a DND-owned facility, accommodation costs are recovered either as an out-of-pocket reimbursable disbursement or through the hourly billing rates established for the services provided.

The Corporation purchased a bond on March 2, 2022, for \$1,002 issued by the Canada Mortgage and Housing Corporation. The bond matured on December 15, 2024. The Corporation earned investment revenue of \$nil from the bond during the third quarter, compared to \$4 in the same period in 2024-25 and \$nil during the year-to-date period, compared to \$13 in the same year-to-date period in 2024-25.

14. CONTINGENT LIABILITIES

The Corporation's efforts to resolve disputes are reflected in the number and value of claims before the courts. As at December 31, 2025, there were 11 ongoing claims totalling \$12,494. These were related to contracts the Corporation had put in place on behalf of its Client-Partners. As at March 31, 2025, there were 13 ongoing claims totalling \$17,837.

In accordance with the Memorandum of Understanding between the Corporation and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by the Corporation. Therefore, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation, and the Corporation does not consider it necessary to record any provision in its financial statements relating to these particular legal claims.

In addition, as at December 31, 2025, there was one ongoing legal claim, not related to DND, for which the outflow of resources to settle the obligation either cannot be estimated or is not probable at this time. No amount for this claim had been recognized as at December 31, 2025.