



ATOMIC ENERGY OF CANADA LIMITED

First Quarter Financial Report

Financial Statements (Unaudited)

**As at and for the three months ended
June 30, 2020**

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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



These are unprecedented times. The challenges we are collectively facing with the COVID-19 pandemic were unimaginable just a few months ago. Like other organizations, AECL has been impacted by this new reality. The pandemic has caused disruption to operations, and we have had to stop, assess, analyze, and adapt so that our work can continue to be conducted safely for the health of employees, the public and our communities.

Canadian Nuclear Laboratories (CNL), which operates our sites on our behalf, has also adjusted its operations. While some activities were paused, others continued, albeit with an adjustment for the safety of employees, to maintain the safety and security of our sites and deliver mission critical work.

I want to recognize the flexibility, innovation, and resilience of both AECL and CNL staff. Like others in Canada and elsewhere around the world, they have risen to the challenge by responding with enthusiasm and leveraging their capabilities to help our organizations adapt and prosper, for the benefit of Canadians.

Key amongst this is how AECL and CNL employees were able to rapidly refocus their broad scientific and technical expertise to contribute to the fight against COVID-19. A group of scientists, engineers and technicians joined a national and international effort to develop a ventilator in order to address shortages globally. This ventilator will be undergoing review by Health Canada in the coming months. Another group of experts developed UV sterilization units that enable the reuse of N95 masks. Yet another group developed ventilation skids to transform hospital rooms into isolation rooms. Other staff leveraged their 3-D printers to produce more than 1,000 face shields that were distributed to local health organizations.

More than the clear benefits to Canadians, including to the local health communities, this effort demonstrates the value and capabilities that reside at Chalk River. The agility of the laboratories and their ability to mount a response to a global threat is a key tangible benefit of maintaining world-class national laboratories. I am particularly proud of these accomplishments and of the innovation and creativity of these scientists and experts, as well as their contributions to our communities.

In recent weeks, both AECL and CNL announced their respective recovery plans in response to the pandemic. Mirroring what governments and health authorities are doing, AECL and CNL plans include phased approaches that will hopefully lead us to the “new normal”. I am pleased to say that some work has started up again at our sites and we continue to monitor government and health authorities’ recommendations so that staff and our communities are kept safe.

With staff working remotely, important planning work also continued during the first quarter of this fiscal year. This included planning of environmental remediation projects at the Whiteshell site in Manitoba and the Port Hope Area Initiative in Ontario, as well as the revitalization of the Chalk River

Laboratories. AECL, along with CNL, also continued its engagement with stakeholders and Indigenous groups on key projects, as well as to establish long-term relationship agreements, where appropriate. We remain committed to building and strengthening our relationships with local communities and Indigenous groups to further areas of mutual benefit.

Of note, during this quarter AECL exercised its option to extend the Government-owned, Contractor-operated contract to the anticipated 10 years, until 2025. This will support the continued revitalization of our Chalk River Laboratories to support world-class nuclear innovation for decades to come and enable us to continue our important remediation work. This decision was based on the performance to date of CNL and its parent companies. It speaks volumes of the hard work, expertise, and experience of the more than 3,000 people at CNL who are delivering important science and environmental remediation work for Canada at AECL sites across the country.

This continues to be a challenging time for Canadians, organizations and businesses across the country, as we continue to face uncertainties that the pandemic has brought. Having witnessed first-hand the creativity and resilience of both the AECL and CNL teams, I am certain that our organizations will continue to adapt so that we can pursue our important work to drive nuclear innovation, create a state-of-the-art nuclear campus, and clean up our legacy wastes.

A handwritten signature in black ink, reading "Richard J. Sexton". The signature is written in a cursive, flowing style.

Richard J. Sexton

President and Chief Executive Officer

MANAGEMENT'S NARRATIVE DISCUSSION

Introduction

Management's Narrative Discussion is intended to provide the reader with a greater understanding of AECL's business, its business strategy and performance, its expectations for the future, and its management of risk and capital resources. It is also intended to enhance the understanding of the unaudited financial statements for the first quarter of 2020-21 and accompanying notes. Management's Narrative Discussion should therefore be read in conjunction with this document.

Unless otherwise indicated, all financial information presented in Management's Narrative Discussion, including tabular amounts, is in Canadian dollars and is prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Management's Narrative Discussion was authorized for issuance by the Board of Directors on August 20, 2020.

Our Business

AECL is a federal Crown corporation that has a mandate to enable nuclear science and technology and to protect the environment by fulfilling the Government of Canada's radioactive waste management and decommissioning responsibilities. AECL receives funding from the Government of Canada and earns commercial revenues through the activities of CNL at the Chalk River Laboratories to deliver on its mandate. As a federal Crown corporation, AECL reports to Parliament through the Minister of Natural Resources.

AECL delivers its mandate through a long-term, contractual arrangement with CNL for the management and operation of its sites under a Government-owned, Contractor-operated model. Under this model, AECL retains ownership of the sites, facilities, intellectual property, and liabilities. CNL, a private-sector organization, manages AECL's sites and facilities under a contract with AECL.

The Government-owned, Contractor-operated model allows AECL to leverage the expertise and experience of the private sector to accelerate the decommissioning and radioactive waste management program and build a world-class nuclear laboratory at Chalk River. As an agent of Government, AECL brings value to Canada by bringing to bear its own expert-based oversight of the Government-owned, Contractor-operated arrangements and supporting the Government's development of nuclear policy. AECL plays a challenge function with a view to advancing its priorities in the most effective and efficient manner, while maintaining the highest priority on safety, security and protection of the environment.

A key element of AECL's role under the Government-owned, Contractor-operated model is to set priorities for CNL, and to oversee and assess its performance to provide value for Canada. This is achieved by AECL having a small organization, staffed by experts who provide oversight of the Government-owned, Contractor-operated agreements.

Of particular note during the first quarter of the fiscal year, AECL has exercised its option to extend the Government-owned, Contractor-operated contract to the anticipated 10-year term, to 2025. The contract had an initial term of six years with an option to extend by four years. AECL's decision to exercise the 4-year option was made based on the performance to date of CNL and the ongoing need for the programs of work that are underway under the contract.

This contract extension will allow for the critical work on the revitalization of the Chalk River Laboratories to continue, to allow for ongoing world-class nuclear innovation for decades to come. It will also allow for important environmental remediation work to go uninterrupted for the benefit of all Canadians and of future generations.

The two main areas of focus for activities are:

1. Environmental Stewardship

The objective is to safely and responsibly address the environmental responsibilities and liabilities which have resulted from legacy activities at AECL sites. This requires the decontamination and decommissioning of redundant structures and buildings, the remediation of contaminated lands and the management and disposal of radioactive waste at AECL sites, primarily at the Chalk River Laboratories and the Whiteshell Laboratories in Manitoba. AECL is also responsible for the remediation and long-term management of sites contaminated with historic, low-level radioactive waste where the Government of Canada has accepted responsibility, most notably as part of the Port Hope Area Initiative. Responsible decommissioning and radioactive waste management is necessary to remediate AECL's sites to modern standards, protect the environment, and make way for new buildings that will support the ongoing nuclear science and technology mission at the Chalk River site.

Sites under the responsibility of AECL across Canada



2. Nuclear Laboratories

The Chalk River Laboratories are Canada's largest science and technology complex and host to more than 2,800 CNL employees, including a large number of engineers, scientists and technical staff. The work undertaken at the laboratories supports Canada's federal roles, responsibilities and priorities in the areas of health, energy and climate change, the environment, safety and security. Services are also provided to industry and other third parties on a commercial basis. The Chalk River site is currently undergoing an important renewal that is transforming the site into a modern, world-class nuclear science and technology campus,

thanks to an investment of \$1.2 billion over ten years by the federal government, beginning in 2016.

First Quarter Highlights for 2020-21

The first quarter of 2020-21 was marked by an unprecedented international crisis created by the COVID-19 pandemic. It has disrupted the operations and activities of business, governments, and citizens around the world. That is no different for AECL and CNL. During this period, both organizations have been confronted with difficult and extraordinary decisions.

There have been significant impacts on some of our key activities, including science, construction, and remediation projects. Important projects were delayed, which has created pressures on timelines and costs. While some of these are discussed in more detail below, the full impacts have yet to be fully understood. Uncertainties related to the ongoing pandemic mean that the cost and schedule impact on projects and activities may not be fully comprehended until much later in the year.

At the same time, staff at AECL and CNL leveraged their unique technical expertise to advance projects for the benefit of Canadians. AECL's sites are home to some of Canada's largest scientific installations. CNL, which operates our sites, has mobilized its scientists and engineers to apply expertise in support of innovative solutions to the challenges created by COVID-19. For example, CNL is part of a team which has developed a ventilator model that is easy-to-produce, using off-the-shelf, easily accessible parts.

Below is an overview of achievements for the first quarter in AECL's two main areas of work: environmental stewardship and nuclear laboratories.

Environmental Stewardship

AECL has been conducting nuclear science and technology activities for decades. While these activities have had important benefits for Canada and Canadians – for example the production of medical isotopes used in the detection and treatment of cancer – they also produced radioactive waste. AECL has various types of radioactive waste at its sites, including high-level waste (such as used reactor fuel), intermediate-level waste and low-level waste (for more information on the various types of radioactive waste, visit nuclearsafety.gc.ca/eng/waste). Several sites and/or buildings have also been contaminated as a result of nuclear science and technology activities and past waste management practices that do not meet modern standards; these now need to be decontaminated and demolished, sites cleaned up and remediated, and the radioactive waste managed based on modern standards.

AECL's objective is to protect the environment by advancing key decommissioning, remediation and waste management projects in order to address risks and hazards. With the implementation of the Government-owned, Contractor-operated model, AECL was given a mandate to accelerate these activities to reduce risks and costs for Canada, in a safe manner, consistent with international leading practices. Specifically, AECL has asked CNL to propose projects to dispose of radioactive wastes and to

advance other decommissioning activities to reduce its environmental liabilities and protect the environment.

Work is underway at the Chalk River Laboratories, with significant progress having been made. More than 92 structures and facilities have been demolished since 2015. This not only reduces AECL's environmental liabilities and overall site maintenance costs, but it also provides the required space for new facilities to be built as part of the site's revitalization.

The resulting contaminated materials, demolition debris, and waste from contaminated lands needs to be disposed of in a manner that further protects the environment. As such, CNL has proposed to build a near surface disposal facility at the Chalk River site, a purpose-built, engineered facility that will enable the responsible and safe disposal of AECL's low-level radioactive waste. This includes contaminated items like protective shoe covers and clothing, rags, mops, equipment and tools, as well as contaminated building material, debris and soil. A near surface facility is an appropriate, internationally accepted and proven method of disposal for low-level radioactive waste. The radioactive waste intended for the disposal facility includes waste currently stored on site and that which will be created as a result of remediation and decommissioning activities at AECL sites and continuing nuclear science and technology activities (i.e. contaminated soil and building debris).

Notable accomplishments in the area of environmental stewardship for the first quarter of 2020-21 are presented below.

As per previous quarters, CNL continued its engagement activities with stakeholders on the proposed Near Surface Disposal Facility at the Chalk River site to provide information and obtain input. Despite the pandemic, work in this area continued during the first quarter, for example by conducting webinars and videoconference meetings. Other activities to respond to outstanding questions and comments from the Canadian Nuclear Safety Commission continued, with a view to CNL finalizing the Environmental Impact Statement for the project.

In the interim, CNL continued to expand temporary storage of low-level radioactive waste to allow for the ongoing building decommissioning to proceed at the Chalk River site. While physical work was slowed down due to COVID-19 restrictions, planning efforts continued for the return to an operational state of one of the waste management areas which will be used as a storage area for materials, including low-level radioactive waste which is being received from other AECL sites. The objective remains to consolidate waste in one location to reduce risks, as well as site security and monitoring costs. Of note, as activities were slowly resumed at the Chalk River site in May and June, waste management specialists were amongst the first back at site – observing proper physical distancing and safety measures as per direction from health authorities.

The planning of building demolition and overall hazard reduction also continued at the Chalk River site. While physical work was impacted by the restrictions brought on by the pandemic, planning - including project management and engineering - continued, in order to move these projects ahead.

In Manitoba, work continued to decommission the **Whiteshell site**, which was previously an active nuclear research laboratory. The scope of work includes the decontamination and demolition of

structures and planning for the in situ decommissioning (i.e. immobilizing and leaving in place) of the WR-1 research reactor. The proposal to decommission the research reactor in situ is based on other such international projects which have been safely completed and provides a safe, environmentally sound, and more cost effective approach to address AECL's liability, when compared with the removal and disposal of contaminated reactor components. The proposal, led by CNL, is currently undergoing an Environmental Assessment. During the first quarter of 2020-21, despite restrictions brought on by the pandemic, CNL continued its engagement with stakeholders, the public and Indigenous groups on its proposal by hosting and organizing virtual meetings and conference calls. Similar to the Near Surface Disposal Facility Project, CNL continued to build relationships and work with Indigenous groups to further engage them through traditional knowledge studies and participation in environmental monitoring, with a view of integrating Indigenous knowledge and input into the project.

Other work required to decommission the Whiteshell site includes removal of the fuel from the site and addressing waste that is currently stored in trenches and bunkers which are located at or below ground level. CNL is currently finalizing the design of the waste retrieval systems for the waste storage facilities, with completion expected in the summer of 2020. This a first-of-a-kind solution which is expected to be mostly fabricated in Canada using Canadian fabricators. Given the novel approach, it carries some level of risk from a schedule and cost perspective, which are being closely managed by CNL, with oversight by AECL.

Similarly, CNL continued to advance its proposal for the in situ decommissioning of the **Nuclear Power Demonstration reactor**. During the first quarter, CNL continued its engagement efforts with stakeholders, the public and Indigenous groups on its proposal through virtual meetings, conference calls and webinars. Of particular note, in early June CNL conducted a virtual count of chimney swifts at the shutdown reactor. This allowed community members an opportunity to enjoy and participate in this activity from the comfort of their homes, in order to respect physical distancing guidelines.

AECL is also responsible for fulfilling Canada's responsibilities with respect to historic low-level waste at sites where the original owner no longer exists or another party cannot be held liable and for which the Government has accepted responsibility. This includes the cleanup and safe long-term management of historic, low-level radioactive waste in the municipalities of Port Hope and Clarington, in Ontario as part of the **Port Hope Area Initiative**, pursuant to an agreement between Canada and the municipalities. Two near surface facilities (engineered containment mounds) have been built for this purpose, with waste continuing to be emplaced in both of them.

Important work underway as part of the Port Hope Area Initiative has also been impacted by the pandemic. Physical restrictions meant that construction and remediation activities were slowed or stopped, including municipal and residential property remediation. CNL continued to work closely with the municipalities and local residents to communicate information on work resumption timelines, in compliance with public health guidelines.

To date, important volumes of low-level radioactive waste have been emplaced in the facilities: over 675,000 cubic meters or 47,000 truckloads in the Port Hope facility and over 780,000 cubic meters or 51,000 truckloads in the Port Granby facility located in Clarington. While work was impacted by the pandemic, it is expected that waste remediation as part of the Port Granby project will be completed

during this fiscal year, with the facility being capped and the site closed and ready for long-term monitoring in the coming years.

Nuclear Laboratories

AECL has been leading innovations in nuclear science and technology for over six decades. Over the years, AECL has played an important role in supporting public policy and in delivering programs for the Government of Canada. This includes the design of the CANDU reactor, production of medical isotopes and the provision of nuclear science and technology in the areas of energy, non-proliferation, emergency preparedness, counter-terrorism, health, and security. AECL's unique facilities have made it an attractive research destination for scientists across Canada and the world, leading to home-grown innovation and the development and retention of highly qualified nuclear workers and scientists.

Through the Government-owned, Contractor-operated model, AECL's objective is to leverage the vast experience and expertise at the Chalk River Laboratories to contribute to the government's science, innovation and clean energy objectives. Nuclear science and technology activities at the Chalk River Laboratories support the Federal Nuclear Science and Technology Work Plan, which helps the Government of Canada deliver on its responsibilities in the areas of health, nuclear safety and security, energy and the environment.

To further grow the science expertise and capabilities at Chalk River, CNL also uses AECL facilities to provide technical services and research and development products on a commercial basis.

CNL has developed a long-term plan outlining its strategic approach to delivering an integrated, effective, project-based and customer-focused science and technology mission that serves the needs of the federal government as well as those of external customers. Based on an assessment of existing capabilities, external environment and market opportunities, CNL has identified eight strategic initiatives that it will focus on during the planning period, which support the needs of the federal government and third-party customers to tap into new and expanded markets:

- **Long-term reliability of existing reactors:** Support for Canada's fleet of existing reactors through work on life extension and long-term reliability of the existing fleet of CANDU reactors domestically and internationally, and expansion to include support for other reactor designs, advanced nuclear materials, fuels research and nuclear chemistry applications.
- **Advanced fuel fabrication:** Development of advanced nuclear fuel concepts in order to support the long-term reliability of existing reactors and the development of advanced reactors. These advanced fuels offer higher performance, improved failure tolerance, increased safety, proliferation resistance and accident tolerance, and are recycled or recyclable.
- **Small modular reactors:** CNL's goal is to demonstrate the commercial viability of small modular reactors by 2026, with a view to positioning Canada to take a leadership role in this emerging nuclear technology. The objective is for Canada and CNL to best leverage their expertise and facilities to position small modular reactors to provide low-carbon, reliable, load-following, scalable and cost-effective energy options to remote communities, mining and oil sand applications, and to fill other energy gaps and needs that often have unique Canadian interest.

- **Decarbonizing the transportation sector:** CNL aims to build on existing capabilities, and leverage recent capital investments by AECL in modern hydrogen laboratories, to support hydrogen safety and heavy water and tritium management in CANDU reactors. As hydrogen technologies have matured, costs have dropped to the point that hydrogen solutions are financially competitive with similar energy conversion technologies. Hydrogen technology offers low-carbon options for the energy and transportation sectors, which supports Canada's international commitments for carbon reduction.
- **Targeted alpha therapy research:** Targeted alpha therapy is a new area of research in the battle against cancer and other diseases. The benefit of this therapy is that the radiation is targeted at the cancer cell, unlike existing treatments that often involve irradiation of all cells in the vicinity of a tumor, healthy and cancerous.
- **Nuclear cyber security:** Cyber security of industrial control systems is a growing concern in all industries, and particularly in the nuclear industry where it represents a multibillion-dollar worldwide market. While a large commercial industry caters to the cyber security of information technology systems, most solution providers are focused on conventional hacking and data theft. CNL has already commissioned a nuclear cyber security test facility located in New Brunswick, and is now working to develop, commercialize and deploy a nuclear industrial control cyber intrusion detection and mitigation system.
- **Nuclear forensics, detection and response:** The need for science and technology activities in nuclear security continues to grow in Canada, as evidenced by the government's renewed commitments to nuclear threat reduction, both domestically and abroad. There is a growing demand from government departments and agencies for nuclear science and technology expertise to inform their response to emergent national and international issues concerning nuclear safeguards, safety and security. CNL is working to establish a facility for government agencies and commercial partners to develop, test, calibrate and validate nuclear forensics technologies and materials. Furthermore, CNL is supporting work to safeguard and secure nuclear material and improve Canada's border security.
- **Environmental remediation management science and technology:** CNL is working to expand the understanding of the behaviour of contaminant radionuclides, and further develop safe, economical nuclear waste management technologies. The environmental technology capability will also continue to support the government in monitoring for the presence and spread of low levels of contamination. CNL is also growing its commercial work in this area.

As part of its long-term vision for the Chalk River Laboratories, CNL's plans, approved by AECL, entail the revitalization of the site through the demolition of old and outdated buildings and the construction of new facilities that will transform the site into a world-class, state-of-the-art nuclear science and technology campus and enable a vibrant science and technology mission going forward.

As noted above, the COVID-19 pandemic created important challenges to business operations during the first quarter. However, CNL was able to leverage the vast expertise of its staff and the capabilities of the Chalk River Laboratories to provide innovative solutions to addressing the pandemic as well as help address the shortage for medical supplies and equipment in order to keep Canadians safe and healthy.

During the first quarter, CNL pursued activities in this respect, including:

- As part of the Mechanical Ventilator Milano consortium, CNL partnered with national and international laboratories to design a cost-effective ventilator with simple parts that are accessible on the open market. In May, the Honourable Navdeep Bains, Minister of Innovation, Science, and Industry, announced that the Government of Canada would purchase 10,000 ventilators as part of the national response to the COVID-19 pandemic. Deliveries are expected to start once approvals are received from Health Canada.
- To address the shortage of Personal Protective Equipment (PPE), CNL donated thousands of pieces of PPE including face masks, 3-D printed face shields, gloves, and lab coats to local hospitals and health centers. The organization came together to develop a number of immediate solutions, which included a portable decontamination center, modular isolation kits, ventilation skids to reduce the spread of contamination and provide isolation capability, as well as solutions for the reuse of N95 masks using UV sterilization.
- A collaboration agreement with Moltex Energy, funded through CNL's Canadian Nuclear Research Initiative, was finalized in April. The agreement includes work to support aspects of Moltex Energy's nuclear fuel development program for its Stable Salt Reactor, a 300 MW small modular reactor design.
- Construction activities to transform the Chalk River Laboratories into a world-class science and technology campus continued, albeit at a slower pace than planned given the pandemic. The new logistics warehouse facility is now nearing completion with the final stages of installation and commissioning for the building's electrical and mechanical systems. Construction for the maintenance building is also well underway, with the foundation having been completed and mass timber structural frame fully installed. With the installation of the roof and insulated wall systems, the building is now weather tight. In addition, the new sanitary sewage treatment plant is now fully operational.
- Despite the impacts of the pandemic, important off-site project management and engineering activities for the Advanced Nuclear Materials Research Centre progressed during the first quarter. These included design detail, project planning, cost estimation and risk analysis, which pave the way for the next phases of the project as it moves into construction. The building will combine the capabilities of existing but outdated facilities into a modern shielded facility and laboratory research complex. It will allow further advancements in the nuclear science and technology program, as well as ongoing work in support of utilities as they look at reactor life extension and reliability.

Forward-Looking Statements

This Management's Narrative Discussion has been reviewed by AECL's Audit Committee and approved by AECL's Board of Directors. It provides comments on the performance of AECL for the three months ended June 30, 2020, and should be read in conjunction with the unaudited financial statements and accompanying notes.

The Management's Narrative Discussion contains forward-looking statements with respect to AECL based on assumptions that Management considers reasonable at the time of preparation. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause future results to differ materially from current expectations. We caution the reader that the assumptions regarding future events, many of which are difficult to predict, may ultimately require revision.

Management of Risks and Uncertainties

AECL carefully plans for and manages risks as part of sound risk management practices. Due to its oversight role, AECL's risk management approach goes beyond the internal organizational risk, and includes oversight of CNL risks. Through ongoing communication between AECL and CNL, plans and activities are monitored to mitigate risks as necessary. This section highlights some of the risks to AECL, which could ultimately impact financial results.

COVID-19 Pandemic: In response to the COVID-19 pandemic, both AECL and CNL took significant measures to protect the health and safety of their workforces, and to maintain the safety and security of AECL sites. This response included reducing operations in March at all of AECL's sites. Only work required for the safety and security of the site and critical work supporting other essential services was continued, with proper health and safety measures in place to protect employees.

The ongoing pandemic presents risks to the safety and security of personnel and the sites, as well as risk of financial impacts to AECL and CNL. To mitigate the safety and security risks, AECL and CNL will follow comprehensive plans for recovery that will take into account government and health authority guidance, provide for COVID-19 countermeasures including changes to workspaces and work procedures to maintain physical distancing, provision of personal protective equipment, training, and implementation of appropriate restrictions on travel, amongst other things. CNL and AECL are closely monitoring and analyzing the financial impacts of COVID-19, including near-term impacts to revenue and cash flow in 2020-21, as well as longer-term impacts to the efficiency of work, project schedules and overall increases to project costs.

Human Resources: AECL is a small organization that relies on a small complement of highly trained and experienced personnel, many of whom bring experience in the management of similar Government-owned, Contractor-operated arrangements, both from a government and contractor perspective. AECL's goal is to maintain the necessary expertise and capabilities to oversee the Government-owned, Contractor-operated contract and play an appropriate oversight and challenge function to achieve

value for money for Canada. Given AECL's small size, an ongoing challenge is to adapt to fluctuating resourcing requirements across different areas of the organization and backfill those on short-term leave. To manage this, AECL strives to be adaptable and flexible, deploying a handful of third-party service contracts to bolster resourcing when and where required and cross-training employees when the opportunity arises. A succession plan has also been developed and is reviewed on an annual basis at a minimum. Furthermore, AECL regularly reviews its total compensation package in order to remain competitive amongst similar employers nationally and internationally.

Contractor Performance: As AECL relies on a private-sector contractor to execute scope related to its mandate, an inherent internal risk is failure of the contractor to execute and perform. To mitigate this risk and drive the appropriate behaviour, the contract with CNL is carefully structured to include several mechanisms for AECL to track CNL's performance. On an annual basis, AECL sets priorities supported by achievable stretch targets to drive value for money for Canada. Ongoing evaluation of the contractor throughout the year provides AECL the opportunity to highlight strengths and weaknesses and the contractor the opportunity to correct where needed.

Costs to Operate Chalk River Laboratories: The shutdown of the National Research Universal reactor in March 2018 is creating cost pressures. The combination of lost revenue from the activities of the reactor (including isotope sales) and diminishing funding for the National Research Universal reactor, will create increasing funding pressures going forward. While CNL made progress in 2019-20 by lowering indirect costs to address the cost pressures, ongoing work in this area is needed. As a result, CNL is looking at all options to lower costs and manage the cost pressures to mitigate this risk, with a view to ensuring a sustainable and science-focused organization in the long-term.

Major Waste Disposal Projects: Part of AECL's core mandate is environmental stewardship and remediation of sites, for the benefit of future generations. Currently, three important projects are at various stages of environmental assessment:

- Construction of a Near Surface Disposal Facility at the Chalk River Laboratories;
- In situ decommissioning of the WR-1 research reactor at the Whiteshell site; and,
- In situ decommissioning of the Nuclear Power Demonstration facility in Rolphton, Ontario.

The regulatory environment, as well as engagement of the public and Indigenous groups are key to the success of these projects. Already, timelines have been revised to ensure that all comments and concerns from the public and Indigenous groups have been considered for all three projects, as well as requests from the Canadian Nuclear Safety Commission to provide additional technical studies. As a result, additional time has been needed to build the safety case for each project. Overall, while these schedule changes have impacted CNL's ability to commence large-scale cleanup and remediation activities at AECL sites, they are allowing for more public and Indigenous engagement, and the development of additional studies in support of the projects' safety cases.

Indigenous Engagement and Consultation: Engagement with Indigenous communities continues to be a key priority. There are increasing expectations around support for capacity to engage, traditional knowledge studies, psychosocial analysis, and participation in formal regulatory processes. AECL has developed an Indigenous Engagement Strategy that has been reviewed by an Indigenous engagement advisor. This strategy is guiding AECL's efforts on the engagement and consultation front. Furthermore,

AECL and CNL are working closely together to coordinate engagement with Indigenous communities, through both formal and informal engagement, to build and strengthen meaningful relationships.

Public Relations: In order to be successful in delivering its mandate, AECL depends on the support of key stakeholders, including government and the public. AECL is continually looking for relationship building opportunities, as well as innovative and effective means to reach its audiences. Working with CNL, AECL endeavours, when communicating with the public, to use clear messaging and a variety of communications tools to more effectively reach key audiences.

Cybersecurity: Cybersecurity is top of mind at AECL. AECL’s approach to cybersecurity is two-fold: cybersecurity within its own organization and CNL’s cybersecurity efforts to protect AECL’s information assets as part of the Government-owned, Contractor-operated contracts. A continuous improvement plan is ongoing, with training and adaptation as key features.

Financial Review

(\$ millions)	Three Months Ended	
	June 30	
	2020	2019
Revenues		
Parliamentary appropriations	\$ 165	\$ 145
Commercial revenue	19	30
Interest income	1	1
	185	176
Expenses		
Cost of sales	15	21
Operating expenses	17	18
Contractual expenses	52	57
Decommissioning, waste management and contaminated sites expenses	72	69
	156	165
Surplus for the period	\$ 29	\$ 11

Parliamentary Appropriations

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$165 million of Parliamentary appropriations in the first quarter of 2020-21, compared to \$145 million for the same period in 2019-20. The first quarter variance is primarily related to an increase in funding required to execute decommissioning, remediation and waste management, as planned.

Commercial Revenue

In the first quarter of 2020-21, \$19 million in revenue was recognized, compared to \$30 million for the same period in 2019-20. Revenue included technology sales and research and development activities performed by CNL for commercial customers, as well as heavy water sales. Commercial revenue decreased in the first quarter of 2020-21 as a result of the COVID-19 pandemic, as work was delayed and activity was reduced.

Interest Income

Interest income is earned on cash, short-term investments from appropriations and investments held in trust. Interest income earned is comparable to the prior period.

Cost of Sales

Cost of sales is lower than the prior year as a result of decreased revenues as discussed above. Cost of sales increased as a percentage of revenue compared to the prior period as a result of additional costs for COVID-19 related efforts for increased planning and rescheduling.

Operating Expenses

Operating expenses are largely comprised of AECL's oversight expenses and amortization of tangible capital assets. Operating expenses in the first quarter of \$17 million are comparable to that of the same period in 2019-20.

Contractual Expenses

AECL delivers its mandate through a long-term contract with CNL for the management and operation of its sites. CNL expenditures (excluding costs charged to the Decommissioning and waste management provision and Contaminated sites liability, Construction in progress and Cost of sales) are reported by AECL as Contractual expenses. Expenses in this category for the first quarter total \$52 million, compared to \$57 million in the first quarter of 2019-20. The variance in the quarter is largely a result of decreased spending on the NRU reactor, which was shutdown in 2018 and for which close-out activities have been ongoing.

Decommissioning, Waste Management and Contaminated Sites Expenses

Decommissioning, waste management and contaminated sites expenses consist of financial expenses and the revaluation (gain) loss, if any, on these reported liabilities. Financial expenses reflect the increase in the net present value (accretion of discount) of these reported liabilities. Decommissioning, waste management and contaminated sites expenses in the first quarter of 2020-21 of \$72 million are comparable to that of the same period in 2019-20.

Surplus for the Period

Consistent with AECL's financial reporting framework, appropriations are recognized as revenue when received in a given period and may be greater or less than the reported expenditures for the same period. For instance, amounts received to fund decommissioning, waste management and contaminated sites expenditures are recorded as Parliamentary appropriations revenue in the current period while the related expenditures are drawn down from the associated liabilities previously recorded on the Statement of Financial Position. With respect to tangible capital assets, Parliamentary appropriations revenue includes amounts received in the period to fund the purchase and construction of these assets while the related expenditures are capitalized; therefore, the reported operating expenses include only the amortization of existing tangible capital assets.

Outlook

AECL's planned activities are set out in its Corporate Plan. The 2020-21 year-to-date expenditures are trending behind plan due to delays in decommissioning and waste management activities and capital projects, largely associated with shutdown measures taken in response to the COVID-19 pandemic. AECL's commercial revenue is similarly tracking behind plan. It is expected that CNL's expenditures for the year will be only 70-80% of planned levels. Project schedules are generally expected to extend longer as a result of the current year delay as well as an expected lower rate of execution of work in a post pandemic environment. Priorities and deliverables have not materially changed in the first three months of 2020-21.

Cash Flow and Working Capital

(\$ millions)	Three Months Ended	
	2020	2019
Cash provided by operating transactions	\$ 104	\$ 233
Cash applied to capital transactions	(32)	(17)
Increase in cash	72	216
Balance at beginning of the period	80	62
Balance at end of the period	\$ 152	\$ 278

Operating Transactions

Operating transactions generated a net cash inflow of \$104 million in the first quarter of 2020-21, compared to a \$233 million inflow during the same period in 2019-20. The variance is a result of Parliamentary appropriations received in the first quarter of 2019-20 for second quarter activities. In the current year, the second quarter funding was not received before the end of the first quarter.

Capital Transactions

Capital transactions used cash of \$32 million in the first quarter of 2020-21 compared to \$17 million in the same period in 2019-20. The variance is a result of increased spending in the current year toward new Chalk River site infrastructure as well as paying suppliers for capital work completed in the prior year.

Highlights of the Statement of Financial Position

<i>(\$ millions)</i>	June 30	March 31	Variance	Variance
	2020	2020	In \$	By %
Financial Assets	\$ 438	\$ 524	\$ (86)	-16%
Liabilities	8,170	8,280	(110)	-1%
Non-Financial Assets	724	716	8	1%
Accumulated Deficit	(7,008)	(7,040)	32	0%

AECL closed the first quarter of 2020-21 with Financial Assets of \$438 million, which represents an \$86 million decrease from March 31, 2020. This variance is mainly the result of a decrease in the Appropriations receivable that were accrued at the end of the previous fiscal year and largely consumed in the first quarter.

The decrease in Liabilities of \$110 million can be attributed primarily to the decrease in the Decommissioning and waste management provision and Contaminated sites liability as a result of spending on decommissioning activities, as well as a decrease in amounts Due to Canadian Nuclear Laboratories for CNL's accrued expenses at year-end that were paid down in the first quarter of 2020-21.

Use of Parliamentary Appropriations

AECL receives its funding primarily through Parliamentary appropriations. The appropriations are drawn down based on quarterly cash flow projections and may not necessarily match the timing of expenses reported in the Statement of Operations and Accumulated Deficit. AECL records Parliamentary appropriations received in the period as revenue in the Statement of Operations and Accumulated Deficit or as Deferred funding in the Statement of Financial Position to the extent they relate to the months following the period end. Refer to Note 9 of the unaudited financial statements for a reporting on how appropriations received were used during the period.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada "Standard on Quarterly Financial Reports for Crown Corporations," and for such internal controls as Management determines are necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly 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 quarterly financial statements.



Richard J. Sexton

President and Chief Executive Officer

August 20, 2020

Chalk River, Canada



David J. Smith

Chief Financial Officer

August 20, 2020

Chalk River, Canada

UNAUDITED FINANCIAL STATEMENTS

Statement of Financial Position

As at

<i>(thousands of Canadian dollars)</i>	Notes	June 30 2020	March 31 2020
Financial Assets			
Cash		\$ 151,727	\$ 79,851
Long-term disposal of waste fund		43,183	42,983
Investments held in trust		59,312	56,200
Trade and other receivables	3	38,375	94,041
Appropriations receivable	9	-	100,050
Inventories held for resale		145,390	150,538
		437,987	523,663
Liabilities			
Accounts payable and accrued liabilities	4	22,775	35,215
Employee future benefits	5	17,930	18,261
Due to Canadian Nuclear Laboratories		121,424	164,234
Decommissioning and waste management provision	6	7,155,464	7,184,910
Contaminated sites liability	7	851,970	877,196
		8,169,563	8,279,816
Net Debt		(7,731,576)	(7,756,153)
Non-Financial Assets			
Tangible capital assets	8	722,593	716,032
Prepaid expenses		959	452
		723,552	716,484
Accumulated Deficit		(7,008,024)	(7,039,669)
Accumulated deficit is comprised of:			
Accumulated operating deficit		(7,012,467)	(7,041,470)
Accumulated remeasurement gains		4,443	1,801
		\$ (7,008,024)	\$ (7,039,669)

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

Statement of Operations and Accumulated Deficit

For the three months ended

<i>(thousands of Canadian dollars)</i>	Notes	2021 Budget	June 30 2020	June 30 2019
Revenues				
Parliamentary appropriations	9	\$ 1,253,940	\$ 165,100	\$ 144,540
Commercial revenue		97,000	19,554	30,344
Interest income		4,000	1,060	1,474
		1,354,940	185,714	176,358
Expenses				
Cost of sales		67,900	15,268	21,324
Operating expenses		50,100	17,000	17,609
Contractual expenses	10	253,744	52,222	56,691
Decommissioning, waste management and contaminated sites expenses		263,247	72,221	69,221
		634,991	156,711	164,845
Surplus for the period		719,949	29,003	11,513
Accumulated operating deficit, beginning of period		(7,041,470)	(7,041,470)	(6,722,172)
Accumulated operating deficit, end of period		\$ (6,321,521)	\$ (7,012,467)	\$ (6,710,659)

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

Statement of Remeasurement Gains and Losses

For the three months ended

	June 30	June 30
<i>(thousands of Canadian dollars)</i>	2020	2019
Accumulated remeasurement gains, beginning of period	\$ 1,801	\$ 887
Remeasurement gains arising during the period		
Unrealized gains on Investments held in trust	2,642	533
Reclassifications to the Statement of Operations and Accumulated Deficit		
Realized losses on Investments held in trust	-	5
Net remeasurement gains for the period	2,642	538
Accumulated remeasurement gains, end of period	\$ 4,443	\$ 1,425

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

Statement of Change in Net Debt

For the three months ended

<i>(thousands of Canadian dollars)</i>	Notes	2021 Budget	June 30 2020	June 30 2019
Surplus for the period		\$ 719,949	\$ 29,003	\$ 11,513
Tangible capital assets				
Acquisition of tangible capital assets	8	(185,000)	(18,160)	(16,266)
Amortization of tangible capital assets	8	33,000	11,598	12,155
Other changes	8	-	1	(19)
		(152,000)	(6,561)	(4,130)
Non-financial assets				
Changes in prepaid expenses		-	(507)	(380)
Net remeasurement gains for the period		-	2,642	538
Decrease in net debt		567,949	24,577	7,541
Net debt, beginning of period		(7,756,153)	(7,756,153)	(7,386,752)
Net debt, end of period		\$ (7,188,204)	\$ (7,731,576)	\$ (7,379,211)

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

Statement of Cash Flows

For the three months ended

	June 30	June 30
<i>(thousands of Canadian dollars)</i>	2020	2019
Operating transactions		
Cash receipts from Parliamentary appropriations	\$ 265,150	\$ 409,466
Cash receipts from customers and other sources	75,877	29,580
Cash paid to suppliers	(106,373)	(82,349)
Cash paid to employees	(3,821)	(3,673)
Cash paid for decommissioning, waste management and contaminated sites activities	(126,893)	(119,486)
Cash invested for waste management and disposal activities	(118)	(1,559)
Interest received	476	887
Cash provided by operating transactions	104,298	232,866
Capital transactions		
Acquisition of tangible capital assets	(32,422)	(17,127)
Cash applied to capital transactions	(32,422)	(17,127)
Increase in cash	71,876	215,739
Cash, beginning of period	79,851	61,833
Cash, end of period	\$ 151,727	\$ 277,572

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

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended June 30, 2020

(Expressed in thousands of Canadian dollars)

(Unaudited)

1. The Corporation

Atomic Energy of Canada Limited (AECL) is a federal Crown corporation whose mandate is to enable nuclear science and technology and protect the environment by managing the Government of Canada's radioactive waste and decommissioning activities. Since 2015, AECL has been delivering its mandate through a Government-owned, Contractor-operated model, whereby Canadian Nuclear Laboratories (CNL), a private-sector organization, operates and manages AECL's sites on its behalf pursuant to a contractual arrangement.

AECL was incorporated in 1952 under the provisions of the *Canada Corporations Act* (and continued in 1977 under the provisions of the *Canada Business Corporations Act*), pursuant to the authority and powers of the Minister of Natural Resources under the *Nuclear Energy Act*.

AECL is a Schedule III Part I Crown corporation under the *Financial Administration Act* and an agent of Her Majesty in Right of Canada. As a result, AECL's liabilities are ultimately liabilities of Her Majesty in Right of Canada. AECL receives funding from the Government of Canada and is exempt from income taxes in Canada.

AECL has submitted its 2020-21 to 2024-25 Corporate Plan to the Minister of Natural Resources for consideration by the Treasury Board. The Corporate Plan is aligned with the direction provided by AECL's sole shareholder, the Government of Canada, and reflects AECL's priorities under the Government-owned, Contractor-operated model.

2. Significant Accounting Policies

Basis of Accounting

These quarterly financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB), and should be read in conjunction with the annual audited financial statements dated March 31, 2020. The accounting policies used in these statements are consistent with those disclosed in the most recent annual audited financial statements dated March 31, 2020.

Both financial and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are normally employed to provide future services, and are charged to

expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net debt (or net financial assets), but rather are added to the net debt (or net financial assets) to determine the accumulated surplus (deficit).

Measurement Uncertainty

The preparation of the quarterly financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities and non-financial assets at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates and assumptions include those related to the fair value of financial instruments, useful life and write-down of tangible capital assets, employee future benefits, contingent liabilities and provisions including the decommissioning and waste management provision and contaminated sites liability. Estimates and assumptions are based on the best information available at the time of preparation of the quarterly financial statements and are reviewed annually to reflect new information as it becomes available. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

Budget Figures

The 2020-21 budget is reflected in the Statement of Operations and Accumulated Deficit and the Statement of Change in Net Debt. Budget data presented in these financial statements is based upon the 2020-21 projections and estimates contained within the 2020-21 to 2024-25 Corporate Plan, which has been submitted to the Minister of Natural Resources for consideration by the Treasury Board.

3. Trade and Other Receivables

<i>(thousands of Canadian dollars)</i>	June 30	March 31
	2020	2020
Trade receivables	\$ 12,450	\$ 20,486
Unbilled revenue	14,589	12,267
Consumption taxes receivable	11,336	11,288
Other proceeds	-	50,000
	\$ 38,375	\$ 94,041

Other proceeds related to a commercial settlement.

4. Accounts Payable and Accrued Liabilities

	June 30	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Trade payables	\$ 9,999	\$ 5,965
Other payables and accrued expenses	4,726	21,857
Provisions	5,500	5,500
Customer advances and obligations	2,550	1,893
	\$ 22,775	\$ 35,215

Provision amounts are short-term in nature, are not discounted and include estimated costs related to lawsuits, legal claims and disputes with suppliers.

5. Employee Future Benefits

a) Pension Plan

Employees of AECL participate in the Public Service Pension Plan (PSPP). The PSPP is a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the employer to cover current service cost. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

Total contributions made on account of current service are as follows:

	Three Months Ended	
<i>(thousands of Canadian dollars)</i>	2020	June 30 2019
Payments by employees	\$ 227	\$ 234
Payments by employer	524	558

The Government of Canada holds a statutory obligation for the payment of benefits relating to the PSPP. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two per cent of pensionable service, multiplied by the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and are indexed to inflation.

b) Other Employee Future Benefits

AECL provides certain voluntary termination compensation (VTC) and other post-employment benefits as described in Note 2(g) of the annual audited financial statements dated March 31, 2020. The defined benefit obligation is not funded, as funding is provided when benefits are paid. Accordingly, there are no plan assets and the defined plan deficit is equal to the defined benefit obligation.

The VTC included in the reported Employee future benefits liability is \$6.8 million (March 31, 2020: \$6.8 million) and is payable in instances of future voluntary resignations and retirements.

6. Decommissioning and Waste Management Provision

AECL has an obligation to decommission its nuclear facilities and other assets to address its liabilities, reduce risk, and protect the environment. A portion of the liabilities relate to obligations stemming from activities undertaken prior to the creation of AECL in 1952.

	Three Months Ended	Year Ended
	June 30	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Carrying amount - Beginning of period	\$ 7,184,910	\$ 6,613,955
Liabilities settled	(97,682)	(385,364)
Unwinding of discount	67,839	254,162
Revision in estimate and timing of expenditures	397	702,157
Carrying amount - End of period	\$ 7,155,464	\$ 7,184,910

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$16,165.6 million (March 31, 2020: \$16,263.3 million).

The provision was discounted using a rate of 3.78% as at June 30, 2020 and March 31, 2020.

7. Contaminated Sites Liability

AECL has the responsibility for the implementation of the Government of Canada's commitments with respect to the Port Hope Area Initiative and Low-level Radioactive Waste Management Office.

	Three Months Ended	Year Ended
	June 30	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Carrying amount - Beginning of period	\$ 877,196	\$ 1,054,978
Liabilities settled	(29,608)	(187,502)
Unwinding of discount	4,382	22,723
Revision in estimate and timing of expenditures	-	(13,003)
Carrying amount - End of period	\$ 851,970	\$ 877,196

The nature of the Port Hope Area Initiative is the clean-up and local, long-term, safe management of historic low-level radioactive waste in the municipalities of Port Hope and Clarington, in Ontario. This waste consists mainly of past process residues containing uranium and radium, and associated contaminated soils, the result of activities of a former federal Crown corporation and its private-sector predecessors. The implementation phase is forecasted to be complete in 2023-24, with long-term monitoring and maintenance expected to continue for 30 years after implementation. AECL also has responsibility for the Low-level Radioactive Waste Management Office which includes all activities to address and manage historic low-level waste at sites in Canada for which the Government has assumed responsibility (excluding the Port Hope Area Initiative). Historic low-level radioactive waste is material contaminated with low levels of radioactivity resulting from the processing and shipment of uranium and radium.

The liability is discounted using net present value techniques at a rate of 2.00%. The estimated total undiscounted expenditures are \$932.6 million (March 31, 2020: \$962.2 million).

8. Tangible Capital Assets

(thousands of Canadian dollars)

	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
Cost at March 31, 2020	\$ 141,172	\$ 139,107	\$ 510,144	\$ 486,342	\$ 1,276,765
Additions and transfers	18,160	(1)	-	59	18,218
Disposals and transfers	(59)	-	(6)	(2,434)	(2,499)
Cost at June 30, 2020	159,273	139,106	510,138	483,967	1,292,484
Accumulated amortization at March 31, 2020	-	46,973	222,370	291,390	560,733
Increase in amortization	-	1,410	3,477	6,711	11,598
Disposals and transfers	-	-	(6)	(2,434)	(2,440)
Accumulated amortization at June 30, 2020	-	48,383	225,841	295,667	569,891
Net carrying amount at March 31, 2020	141,172	92,134	287,774	194,952	716,032
Net carrying amount at June 30, 2020	\$ 159,273	\$ 90,723	\$ 284,297	\$ 188,300	\$ 722,593

9. Parliamentary Appropriations

	Three Months Ended	
	2020	2019
	June 30	
<i>(thousands of Canadian dollars)</i>		
Parliamentary appropriations for operating, capital and statutory expenditures		
Amount received during the period for operating, capital and statutory expenditures	\$ 265,150	\$ 409,466
Amount receivable from a previous period	(100,050)	(69,276)
Amount received related to the next period (Deferred funding)	-	(195,650)
Total Parliamentary appropriations recognized	\$ 165,100	\$ 144,540

The difference between Parliamentary appropriations received and recognized relates to amounts received but related to either a previous or subsequent quarter. The appropriations approved for operating and capital expenditures for the year ending March 31, 2021 total \$1,254 million.

10. Contractual Arrangement

Since 2015, AECL has been delivering its mandate through a Government-owned, Contractor-operated model whereby the assets, sites and facilities continue to be owned by AECL, but are being contractually managed and operated by a private-sector company. As such, AECL makes payments to CNL and its parent company, Canadian National Energy Alliance (CNEA), as per the terms of the contractual arrangement.

The following contractual expenses were incurred:

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2020	2019
Contractual amounts paid or payable	\$ 206,605	\$ 206,365
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(126,164)	(120,407)
Less: Costs charged to Construction in progress	(18,160)	(16,266)
Less: Costs classified as Cost of sales	(10,059)	(13,001)
Contractual expenses	\$ 52,222	\$ 56,691

Contractual amounts paid or payable include fees paid to CNEA, in accordance with the contractual arrangement between AECL and CNEA and CNL.



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