



ATOMIC ENERGY OF CANADA LIMITED

Second Quarter Financial Report

Financial Statements (Unaudited)

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

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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



At home and at work, we all continue to be challenged by the COVID-19 pandemic. At AECL and at Canadian Nuclear Laboratories (CNL), which manages our sites across Canada, this means being flexible, responsive and resilient.

During this quarter, our employees and those of CNL continued their work to contribute to the national response, and to safely and carefully resume some operations so that we can continue to deliver on our mandate. Our sites are home to some of Canada's most unique and innovative facilities, laboratories, equipment, and expertise. This was put to good use when a group of CNL scientists, engineers and technicians joined a national and international effort in the spring to develop a ventilator to help address shortages globally. In September, the project announced that it had received approval from Health Canada, and will start providing ventilators to the Government of Canada.

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 such as Chalk River. While at a slightly slower pace due to COVID-19, our science and technology activities in the areas of health and energy continued during the quarter. Work is underway to further research on targeted alpha therapies, a very promising new area of cancer research. Our initiative to advance small modular reactor technologies also continued, with CNL announcing partnerships with two vendors in a cost-shared research program. We also hosted a series of webinars under our Federal Nuclear Science and Technology Work Plan starting in September as we continue to share with our many stakeholders the research we are conducting in support of federal priorities in the areas of health, safety and security, energy and the environment.

To enable all of this, one of our priorities is to revitalize the Chalk River site to transform it into a modern and state-of-the-art nuclear science and technology campus. Several outdated buildings have been demolished, and new ones are being erected. During this quarter, progress was made on several fronts to advance the construction of new facilities. I am particularly proud of the fact that many of our new buildings are being constructed out of mass timber with engineered wood beams and panels that not only provide exceptional strength and stability, but are sustainable as they are made from a Canadian renewable resource.

On the environmental remediation front, activities also continued, including progress at the Port Hope Area Initiative in Ontario where two near surface facilities (engineered containment mounds) have been constructed to receive low-level radioactive waste which is being remediated from the surrounding areas. In particular, the Port Granby project, located in the Municipality of Clarington, is nearing completion. Next door as part of the Port Hope project, we are in the process of identifying opportunities to respond to feedback from residents of the community regarding the impacts that the cleanup project is having. As a result, AECL is working with CNL to propose changes to the cleanup criteria in a way that would honour our commitment to remediate the area and be protective of human health, while minimizing the unintended negative environmental impacts and disruption caused

by the project in the community. We recognize that the Port Hope Area Initiative is a community-requested initiative, and together with CNL, we are committed to adapting to the changing needs of the community over time.

There has been other progress made on multiple fronts during this quarter which are highlighted in this report. I am grateful for the flexibility and dedication of our staff and that of CNL in keeping the momentum on our projects despite the current circumstances, for the benefit of Canada and Canadians.

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 second 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 November 19, 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.

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.



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.

Second Quarter Highlights for 2020-21

The second quarter of 2020-21 continued to be marked by the COVID-19 pandemic, which has disrupted the operations and activities of business, governments, and citizens around the world. For AECL and CNL, this has meant continued 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, 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, and perhaps into the next fiscal 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 and received Health Canada approval for a ventilator model that is easy-to-produce, using off-the-shelf, easily accessible parts. CNL has also worked on an ultraviolet disinfection unit for N95 mask to help address the personal protective equipment shortages globally.

Below is an overview of achievements for the second 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 has steadily progressed at the Chalk River Laboratories, with more than 90 structures and facilities having 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).

Progress in the area of environmental stewardship for the second quarter of 2020-21 is presented below.

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. Work on the Environmental Impact Statement for the WR-1 reactor continued with CNL responding to questions from Indigenous groups and the Canadian Nuclear Safety Commission. CNL has also advanced work on the design and fabrication of a specialized remote handling system to retrieve waste that is stored in standpipes and bunkers (concrete boxes and structures which are just below ground level).

At the **Chalk River site** in Ontario, CNL is making progress on facilities decommissioning. In particular, work has now started on the decommissioning of Building 250, one of the highest risk facilities on the site. CNL also continued to advance planning work on the proposed Near Surface Disposal Facility, including engaging with local stakeholders and Indigenous groups, responding to questions and finalizing documents in support of its Environmental Impact Statement, which will be submitted to the Canadian Nuclear Safety Commission as part of the Environmental Assessment and licensing processes.

Work also continued to progress on the planning for the in situ decommissioning of the **Nuclear Power Demonstration** reactor. The project is currently undergoing an Environmental Assessment, and work during the second quarter was focused on responding to questions from, and engaging with Indigenous groups on the proposal, and preparing the final Environmental Impact Statement and supporting documentation.

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. In the case of the Port Granby project, all waste has now been placed into the near surface facility. Activities are now underway to finalize the project by capping and closing the mound, and dismantling some supporting infrastructure that is no longer needed.

As part of the Port Hope project, AECL and CNL have launched a stakeholder engagement initiative to gather feedback and input on proposed changes to the cleanup criteria. These changes are being proposed in response to current feedback from residents in the community, which include concerns on the impacts of the project on the natural and built environment of the town (e.g. loss of mature trees).

Changes would still be protective of human health, aligned with AECL and the Government of Canada's commitment in the Legal Agreement with the municipalities of Port Hope and Clarington, and minimize unintended negative environmental impacts and disruption caused by the project in the community. Feedback received from the public and Indigenous groups will be used to adjust the proposal, which will need to be approved by the Canadian Nuclear Safety Commission.

Finally, at the **Douglas Point** reactor in Kincardine, Ontario, which has been shut down since 1984, CNL has put forward a proposal to start the next phase of decommissioning, with a view to reducing risk and protecting the environment. Activities will include the removal of non-nuclear buildings, the removal of the waste and the eventual dismantling and removal of the reactor itself. In the short term, CNL has submitted a proposal to the Canadian Nuclear Safety Commission to start the decommissioning of non-nuclear facilities. Other activities, such as the removal of the reactor, will occur in the coming years only after proper planning, stakeholder and Indigenous engagement, as well as regulatory approvals.

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 and 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 continued to challenge business operations during the second 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 second quarter, CNL pursued activities in this respect, including:

- After months of development and collaboration with a national and international team that included CNL's engineers and technicians, Vexos Inc., an electronics manufacturing and custom materials solutions company, received authorization from Health Canada for the Mechanical Ventilator Milano (MVM) ventilator. This paves the way for Vexos to manufacture and supply 10,000 ventilators as part of a national, made-in-Canada, effort to treat patients most severely affected by the COVID-19 virus.
- AECL worked with CNL to organize a series of webinars on the various aspects of research undertaken under the Federal Nuclear Science and Technology Work Plan, with a view to disseminating results within government, academia and industry, and to stimulate new connections and partnerships between AECL, CNL and the broader scientific community. In September, four webinars were held on energy and health research areas, more specifically on small modular reactors, hydrogen, chemistry and materials, and low dose research. Webinars for research under health, safety and security and the environment will continue into the fall.
- Under CNL's Canadian Nuclear Research Initiative, which is meant to accelerate the deployment of small modular reactors in Canada by enabling research and development, two collaboration agreements were announced:
 - CNL will work with Terrestrial Energy to conduct research related to the clean energy company's Integral Molten Salt Reactor technology. Work includes the development and testing of techniques to track the behaviour of the proposed liquid fuel that would be used in Terrestrial Energy's reactor design.
 - CNL will work with Kairos Power, a U.S.-based engineering company which is developing fluoride-salt cooled, small modular reactor technology. Work includes the research and engineering of technologies to better separate, analyze and store tritium generated through the operation of Kairos Power's proposed reactor design.
- In support of the Chalk River site revitalization, construction activities on new buildings continued during the second quarter, albeit at a slower pace than previously planned given the health and safety requirements around COVID-19. Of particular note, several buildings are being constructed out of mass timber, demonstrating AECL and CNL's commitment to sustainability.
 - In September, Paul Lefebvre, Parliamentary Secretary to the Minister of Natural Resources, participated in the inauguration of a new 2-storey industrial-use complex that will serve as a centralized maintenance and support building. The facility consolidates a number of shops on site, to increase efficiency and allows for older

buildings to be decommissioned. The Parliamentary Secretary also used this opportunity to announce the Government of Canada's \$3.9 million investment into wood construction through the Green Construction through Wood (GCWood) program.

- The new site entrance and logistics building is nearing completion and is expected to start being operational in the third quarter of the fiscal year. The building will allow for more efficient receipt, storage and distribution of goods onto the site, with improvements in security and workflow.
- Planning and design work also continued on the Advanced Nuclear Materials Research Centre, which will provide modern shielded facilities needed to advance several of AECL's strategic priorities, including small modular reactors, environmental remediation, and radioisotope work.

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 and six months ended September 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 as they relate to the management and operation of AECL sites and facilities. 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, including the second wave which started during the second quarter, 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 are following comprehensive plans for recovery that 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 and project costs and schedules.

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 regularly. 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 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, have created funding pressures in terms of corporate support and site operating costs that must be borne by the remaining programs. This is further compounded by the cost pressures created by the COVID-19 pandemic. While CNL made progress in 2019-20 by lowering indirect costs to address the cost pressures, it continues to look at all options to lower costs and manage the cost pressures with a view to ensuring a sustainable 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 which are aimed at reducing environmental risks and protecting the environment 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, and participation in formal regulatory processes, as well as environmental monitoring operations. CNL continues its outreach activities across all sites, and AECL has been reaching out and engaging with Indigenous groups with a view to building meaningful and mutually beneficial relationships, recognizing that these take time. 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. AECL and CNL work to continuously improve cybersecurity capabilities, with a focus on training and adaptation.

Financial Review

(\$ millions)	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Revenues				
Parliamentary appropriations	\$ 207	\$ 198	\$ 372	\$ 342
Commercial revenue	24	29	44	60
Interest income	1	1	2	3
	232	228	418	405
Expenses				
Cost of sales	18	21	33	42
Operating expenses	16	18	33	36
Contractual expenses	68	78	121	135
Decommissioning, waste management and contaminated sites expenses	94	383	166	452
	\$ 196	\$ 500	353	665
Surplus (deficit) for the period	\$ 36	\$ (272)	\$ 65	\$ (260)

Parliamentary Appropriations

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$207 million of Parliamentary appropriations in the second quarter of 2020-21, compared to \$198 million for the same period in 2019-20. On a year-to-date basis, AECL recognized \$372 million of Parliamentary appropriations, compared to \$342 million for the same period in 2019-20. The year-to-date variance is primarily related to an increase in funding required to execute decommissioning, remediation, and waste management activities, as planned.

Commercial Revenue

In the second quarter of 2020-21, \$24 million in revenue was recognized, compared to \$29 million for the same period in 2019-20. On a year-to-date basis, revenues were \$44 million, compared to \$60 million in 2019-20. Revenue included technology sales and research and development activities performed by CNL for commercial customers, as well as heavy water sales. The year-to-date decrease in commercial revenue is a result of the COVID-19 pandemic and related reduced level of activity.

Interest Income

Interest income is earned on cash, short-term investments from appropriations and investments held in trust. Interest income earned has decreased compared to the prior periods due to lower interest rates.

Cost of Sales

Cost of sales is consistent with the commercial revenues noted above.

Operating Expenses

Operating expenses are largely comprised of AECL's oversight expenses and amortization of tangible capital assets. Operating expenses in the second quarter of \$16 million and year-to-date of \$33 million are comparable to that of the same periods 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 second quarter total \$68 million, compared to \$78 million in the second quarter of 2019-20. Year-to-date expenses in this category total \$121 million compared to \$135 million in the previous period in 2019-20. The variance in the quarter and year-to-date 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 second quarter of 2020-21 of \$94 million and year-to-date of \$166 million are lower than the same periods of 2019-20 as a result of approved changes to project estimates, primarily related to the decommissioning of the Whiteshell Laboratories, recorded in second quarter of the prior year.

Surplus (Deficit) 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 environmental stewardship activities and capital projects, largely associated with shutdown measures taken in response to the COVID-19 pandemic. It is expected that CNL's expenditures for the year will be approximately 90% of planned levels. Project schedules are generally expected to extend longer as a result of the current year delay and an expected lower rate of execution of work in a post pandemic environment. Priorities and deliverables have not materially changed in the first six months of 2020-21 although the timing of completion has slipped in some instances due to the pandemic.

Cash Flow and Working Capital

(\$ millions)	Three Months Ended September 30		Six Months Ended September 30	
	2020	2019	2020	2019
Cash provided by (applied to) operating transactions	\$ 28	\$ (177)	\$ 132	\$ 56
Cash applied to capital transactions	(26)	(18)	(58)	(35)
Increase (decrease) in cash	2	(195)	74	21
Balance at beginning of the period	152	278	80	62
Balance at end of the period	\$ 154	\$ 83	\$ 154	\$ 83

Operating Transactions

Operating transactions generated a net cash inflow of \$28 million in the second quarter of 2020-21, compared to a \$177 million outflow during the same period in 2019-20. On a year-to-date basis, operating activities resulted in a net cash inflow of \$132 million compared to an inflow of \$56 million during the same period of the previous year. The year-to-date variance is a result of increased Parliamentary appropriations due in part to an increase in funding in the current year as discussed above and an increase in parliamentary appropriations receivable at March 31, 2020 versus the prior year. The second quarter variance is a result of timing of receipt the second quarter funding. The second quarter funding for 2020-21 was received at the beginning of the quarter, but in 2019-20 the second quarter funding was received at the end of the first quarter. Refer to Note 9 of the unaudited financial statements for a reporting on how appropriations were received and recognized.

Capital Transactions

Capital transactions used cash of \$26 million in the second quarter of 2020-21 compared to \$17 million in the same period in 2019-20. On a year-to-date basis, capital activities used cash of \$58 million compared to \$35 million in the same period in the previous year. The variance is a result of increased spending in the current year toward newly built Chalk River site infrastructure as well as paying suppliers for capital work completed in the prior year.

Highlights of the Statement of Financial Position

(\$ millions)	September 30	March 31	Variance	Variance
	2020	2020	In \$	By %
Financial Assets	\$ 442	\$ 524	\$ (82)	-16%
Liabilities	8,155	8,280	(125)	-2%
Non-Financial Assets	741	716	25	3%
Accumulated Deficit	(6,972)	(7,040)	68	-1%

AECL closed the second quarter of 2020-21 with Financial Assets of \$442 million, which represents an \$82 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 \$125 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 and environmental remediation activities.

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

November 19, 2020

Chalk River, Canada



David J. Smith

Chief Financial Officer

November 19, 2020

Chalk River, Canada

UNAUDITED FINANCIAL STATEMENTS

Statement of Financial Position

As at

<i>(thousands of Canadian dollars)</i>	Notes	September 30 2020	March 31 2020
Financial Assets			
Cash		\$ 154,199	\$ 79,851
Long-term disposal of waste fund		47,361	42,983
Investments held in trust		60,113	56,200
Trade and other receivables	3	39,670	94,041
Appropriations receivable	9	-	100,050
Inventories held for resale		140,473	150,538
		441,816	523,663
Liabilities			
Accounts payable and accrued liabilities	4	33,274	35,215
Employee future benefits	5	17,689	18,261
Due to Canadian Nuclear Laboratories		146,117	164,234
Decommissioning and waste management provision	6	7,120,132	7,184,910
Contaminated sites liability	7	837,300	877,196
		8,154,512	8,279,816
Net Debt		(7,712,696)	(7,756,153)
Non-Financial Assets			
Tangible capital assets	8	739,898	716,032
Prepaid expenses		789	452
		740,687	716,484
Accumulated Deficit		(6,972,009)	(7,039,669)
Accumulated deficit is comprised of:			
Accumulated operating deficit		(6,976,838)	(7,041,470)
Accumulated remeasurement gains		4,829	1,801
		\$ (6,972,009)	\$ (7,039,669)

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

Statement of Operations and Accumulated Deficit

	Notes	2021	Three Months Ended		Six Months Ended	
		Budget	2020	2019	2020	2019
<i>(thousands of Canadian dollars)</i>						
Revenues						
Parliamentary appropriations	9	\$ 1,008,603	\$ 206,700	\$ 197,750	\$ 371,800	\$ 342,290
Commercial revenue		77,800	24,677	29,307	44,231	59,651
Interest income		4,000	793	1,359	1,853	2,833
		1,090,403	232,170	228,416	417,884	404,774
Expenses						
Cost of sales		54,460	17,888	21,093	33,156	42,417
Operating expenses		65,176	16,316	18,047	33,316	35,656
Contractual expenses	10	252,014	68,307	78,072	120,529	134,763
Decommissioning, waste management and contaminated sites expenses		289,133	94,030	382,687	166,251	451,908
		660,783	196,541	499,899	353,252	664,744
Surplus (deficit) for the period		429,620	35,629	(271,483)	64,632	(259,970)
Accumulated operating deficit, beginning of period		(7,041,470)	(7,012,467)	(6,710,659)	(7,041,470)	(6,722,172)
Accumulated operating deficit, end of period		\$ (6,611,850)	\$ (6,976,838)	\$ (6,982,142)	\$ (6,976,838)	\$ (6,982,142)

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

Statement of Remeasurement Gains and Losses

	Three Months Ended		Six Months Ended	
	September 30		September 30	
<i>(thousands of Canadian dollars)</i>	2020	2019	2020	2019
Accumulated remeasurement gains, beginning of period	\$ 4,443	\$ 1,425	\$ 1,801	\$ 887
Remeasurement gains arising during the period				
Unrealized gains on Investments held in trust	636	384	3,278	917
Reclassifications to the Statement of Operations and Accumulated Deficit				
Realized (gains) losses on Investments held in trust	(250)	76	(250)	81
Net remeasurement gains for the period	386	460	3,028	998
Accumulated remeasurement gains, end of period	\$ 4,829	\$ 1,885	\$ 4,829	\$ 1,885

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

Statement of Change in Net Debt

(thousands of Canadian dollars)	Notes	2021	Three Months Ended		Six Months Ended	
		Budget	2020	2019	2020	2019
Surplus (deficit) for the period		\$ 429,620	\$ 35,629	\$ (271,483)	\$ 64,632	\$ (259,970)
Tangible capital assets						
Acquisition of tangible capital assets	8	(112,990)	(29,227)	(26,247)	(47,387)	(42,513)
Amortization of tangible capital assets	8	48,076	11,920	12,412	23,518	24,567
Other changes	8	-	2	127	3	108
		(64,914)	(17,305)	(13,708)	(23,866)	(17,838)
Non-financial assets						
Changes in prepaid expenses		-	170	(561)	(337)	(941)
Net remeasurement gains for the period		-	386	460	3,028	998
Decrease (increase) in net debt		364,706	18,880	(285,292)	43,457	(277,751)
Net debt, beginning of period		(7,756,153)	(7,731,576)	(7,379,211)	(7,756,153)	(7,386,752)
Net debt, end of period		\$ (7,391,447)	\$ (7,712,696)	\$ (7,664,503)	\$ (7,712,696)	\$ (7,664,503)

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

Statement of Cash Flows

	Three Months Ended		Six Months Ended	
	September 30		September 30	
<i>(thousands of Canadian dollars)</i>	2020	2019	2020	2019
Operating transactions				
Cash receipts from Parliamentary appropriations	\$ 206,700	\$ 2,100	\$ 471,850	\$ 411,566
Cash receipts from customers and other sources	22,311	27,110	98,188	56,690
Cash paid to suppliers	(50,638)	(78,057)	(157,011)	(160,406)
Cash paid to employees	(2,590)	(2,563)	(6,411)	(6,236)
Cash paid for decommissioning, waste management and contaminated sites activities	(144,032)	(118,807)	(270,925)	(238,293)
Cash invested for waste management and disposal activities	(4,098)	(7,832)	(4,216)	(9,391)
Interest received	508	1,012	984	1,899
Cash provided by (applied to) operating transactions	28,161	(177,037)	132,459	55,829
Capital transactions				
Acquisition of tangible capital assets	(25,689)	(18,248)	(58,111)	(35,375)
Cash applied to capital transactions	(25,689)	(18,248)	(58,111)	(35,375)
Increase (decrease) in cash	2,472	(195,285)	74,348	20,454
Cash, beginning of period	151,727	277,572	79,851	61,833
Cash, end of period	\$ 154,199	\$ 82,287	\$ 154,199	\$ 82,287

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended September 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>	September 30	March 31
	2020	2020
Trade receivables	\$ 12,138	\$ 20,486
Unbilled revenue	17,063	12,267
Consumption taxes receivable	10,469	11,288
Other proceeds	-	50,000
	\$ 39,670	\$ 94,041

Other proceeds related to a commercial settlement.

4. Accounts Payable and Accrued Liabilities

	September 30	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Trade payables	\$ 616	\$ 5,965
Other payables and accrued expenses	25,679	21,857
Provisions	5,500	5,500
Customer advances and obligations	1,479	1,893
	\$ 33,274	\$ 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		Six Months Ended	
<i>(thousands of Canadian dollars)</i>	September 30		September 30,	
	2020	2019	2020	2019
Payments by employees	\$ 189	\$ 193	\$ 416	\$ 427
Payments by employer	284	315	808	872

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.

	Six Months Ended September 30 2020	Year Ended March 31 2020
<i>(thousands of Canadian dollars)</i>		
Carrying amount - Beginning of period	\$ 7,184,910	\$ 6,613,955
Liabilities settled	(204,674)	(385,364)
Unwinding of discount	135,678	254,162
Revision in estimate and timing of expenditures	4,218	702,157
Carrying amount - End of period	\$ 7,120,132	\$ 7,184,910

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$16,058.6 million (March 31, 2020: \$16,263.3 million).

The provision was discounted using a rate of 3.78% as at September 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.

	Six Months Ended	Year Ended
	September 30	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Carrying amount - Beginning of period	\$ 877,196	\$ 1,054,978
Liabilities settled	(70,469)	(187,502)
Unwinding of discount	8,764	22,723
Revision in estimate and timing of expenditures	21,809	(13,003)
Carrying amount - End of period	\$ 837,300	\$ 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 100 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 \$913.6 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	47,387	(1)	-	4,072	51,458
Disposals and transfers	(4,071)	-	(6)	(2,463)	(6,540)
Cost at September 30, 2020	184,488	139,106	510,138	487,951	1,321,683
Accumulated amortization at March 31, 2020	-	46,973	222,370	291,390	560,733
Increase in amortization	-	2,812	6,932	13,774	23,518
Disposals and transfers	-	-	(6)	(2,460)	(2,466)
Accumulated amortization at September 30, 2020	-	49,785	229,296	302,704	581,785
Net carrying amount at March 31, 2020	141,172	92,134	287,774	194,952	716,032
Net carrying amount at September 30, 2020	\$ 184,488	\$ 89,321	\$ 280,842	\$ 185,247	\$ 739,898

9. Parliamentary Appropriations

	Three Months Ended September 30		Six Months Ended September 30	
(thousands of Canadian dollars)	2020	2019	2020	2019
Parliamentary appropriations for operating, capital and statutory expenditures				
Amount received during the period for operating, capital and statutory expenditures	\$ 206,700	\$ 2,100	\$ 471,850	\$ 411,566
Amount receivable from a previous period	-	-	(100,050)	(69,276)
Amount deferred from the previous period	-	195,650	-	-
Total Parliamentary appropriations recognized	\$ 206,700	\$ 197,750	\$ 371,800	\$ 342,290

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		Six Months Ended	
	September 30		September 30	
<i>(thousands of Canadian dollars)</i>	2020	2019	2020	2019
Contractual amounts paid or payable	\$ 257,987	\$ 242,244	\$ 464,592	\$ 448,609
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(147,661)	(125,996)	(273,825)	(246,403)
Less: Costs charged to Construction in progress	(29,227)	(26,247)	(47,387)	(42,513)
Less: Costs classified as Cost of sales	(12,792)	(11,929)	(22,851)	(24,930)
Contractual expenses	\$ 68,307	\$ 78,072	\$ 120,529	\$ 134,763

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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