



# **ATOMIC ENERGY OF CANADA LIMITED**

## **Third Quarter Financial Report**

### **Financial Statements (Unaudited)**

**As at and for three and nine months ended  
December 31, 2023**

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## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



The third quarter of 2023-24 saw advancement on several important strategic priorities. Perhaps the most notable development is the building excitement and federal leadership around the next generation of nuclear energy in Canada, a movement in which AECL is playing a key role. The signature achievement during this period, from my perspective, is bigger than just our organization. That is, in November, at the COP28 United Nations Climate Conference in the United Arab Emirates, Canada joined 24 other countries in issuing a powerful declaration to triple nuclear energy by 2050. This ambitious goal represents a major step forward for the entire industry, and a challenge for us collectively. AECL's own vision of a nuclear future for Canada – with new technologies enabled by world-class research and development – is fully aligned with the broader government vision of a thriving new nuclear sector. There will of course be challenges ahead, as we navigate new technology development, Indigenous reconciliation and inclusion, regulatory requirements, questions around waste management, public acceptance, investment barriers, and more. Nonetheless, the COP28 declaration, and the overall climate with respect to new nuclear infrastructure as a critical component of a net zero future is inspiring and exciting for AECL.

AECL and CNL continue to make progress with respect to Indigenous engagement and relationship-building. Collaborative work with the Algonquins of Pikwakanagan First Nation (AOPFN) and CNL, under the auspices of the long-term relationship agreement, signed earlier this year, is taking shape in meaningful ways. The three organizations are holding regular meetings and working groups on a number of topics, and are addressing challenging issues together, in a climate of continued openness and respect. Moreover, I am especially pleased to report that AOPFN has delivered a series of Cultural Awareness training sessions for CNL staff, with AECL staff to follow in the following quarter. This is a key step in our journey together, as we build the understanding of Indigenous experiences and history that is essential for true partnership. In addition, I was honoured to participate in a tripartite leadership meeting with the Sagkeeng First Nation (SFN) and CNL this quarter; I hope that this is a step toward deepening relationships with SFN, as we look to a shared vision for the Whiteshell site. These are just a few highlights, in addition to the many ongoing engagements AECL and CNL maintain with numerous Indigenous communities, and we are deeply committed to all of our relationships.

This quarter also involved some important budgeting and planning work behind the scenes. AECL is approaching the end of both its 10-year funding window and contract to operate AECL-owned sites.

Both the re-procurement project, and the development of a new long-term budget plan are critical pieces that will define what and how AECL delivers on over the next decade. This past quarter saw important work with the Department of Natural Resources and central agencies within government to further refine AECL's long-term business and financial plans, and ensure alignment with government objectives. In addition, the dedicated Government-owned Contractor-operated contract procurement team within AECL hit a major milestone with the release of the draft Statement of Work for the new contract (2025-35), for public comment.

AECL continues to focus on oversight over its contractor, CNL. The key priority in the past quarter has been the ongoing response to identified gaps in the fire protection program at Whiteshell Laboratories. In October, the Canadian Nuclear Safety Commission issued an Administrative Monetary Penalty to CNL for shortcomings in its response to the issue, identified in August 2023. AECL takes this very seriously, and has continued in enhanced oversight to bring the Whiteshell fire protection program fully into compliance, and to restore the site to full operations.

Finally, we have included – at the end of the Third Quarter Highlights section, below – two brief updates on important developments that occurred outside the reporting period of this report: the approval to construct the proposed near-surface disposal facility at Chalk River, and the discovery of deficiencies in the CNL Learning Management System.



**Fred Dermarkar**

*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 third quarter of 2023-24 and accompanying notes. Management's Narrative Discussion should therefore be read in conjunction with the unaudited financial statements.

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 February 21, 2024.

## Our Business

As a federal Crown corporation, Atomic Energy of Canada Limited (AECL) is working to advance Canada's interests through leading edge nuclear science and technology initiatives and protection of the environment. This includes combating climate change through clean energy growth and decarbonization strategies, advancing the battle against cancer and other diseases by pioneering new treatment methods, and accelerating Canada's environmental remediation responsibilities related to past nuclear science activities. AECL receives funding from the government of Canada to enable nuclear science and technology and manage the government of Canada's radioactive waste liabilities. Since 2015, AECL has been delivering its mandate through a Government-owned, Contractor-operated (GoCo) model, whereby a private-sector organization, Canadian Nuclear Laboratories (CNL), is responsible for managing and operating AECL's sites on its behalf.

Under the GoCo model, AECL retains ownership of the sites, facilities, intellectual property, and liabilities. CNL manages AECL's sites and facilities under contract with AECL. The GoCo model allows AECL to leverage private-sector expertise and experience to accelerate the decommissioning and environmental stewardship program and deliver world-class nuclear science and technology. As an agent of government, AECL brings value to Canada by setting CNL's priorities and providing expert-based oversight of its plans and operations. AECL assesses CNL's performance to advance its objectives in the most effective and efficient manner, while maintaining the highest priority on safety, security, and protection of the environment. Furthermore, AECL supports the government's development of nuclear policy.

The three main areas of focus for activities are:

## **1. Nuclear Innovation (Nuclear Laboratories)**

AECL is focused on leveraging the successes of its past as well as future nuclear innovation to benefit Canada and Canadians. Working with industry, AECL is enabling the development of new technologies to advance small modular reactors (SMRs), clean hydrogen and fusion all with a view to building on the success of the CANDU reactor technology and its already realized and potentially enhanced contributions to climate objectives, energy security and jobs. Advancements in nuclear medicine are being pursued in an effort to further revolutionize the diagnosis and treatment of disease. This includes supporting the research and development of new and promising nuclear health technologies, including new and emerging radiotherapies, diagnostics, and radiotheranostics such as targeted alpha therapy.

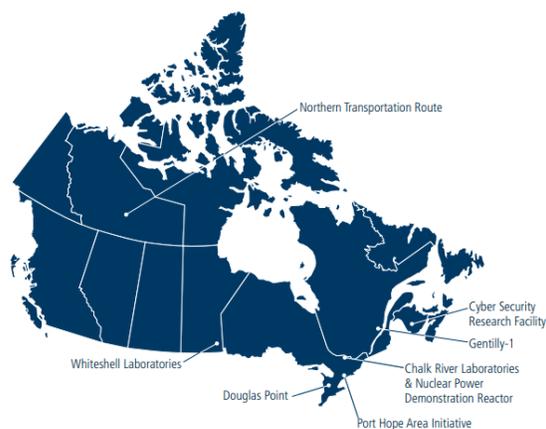
Work in these areas is enabled by the vast and unique capabilities that reside at CNL and at the Chalk River Laboratories, Canada's largest science and technology complex and host to nearly 3,000 employees. The work undertaken at the laboratories supports Canada's federal roles, responsibilities, and 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 will transform the site into a modern, world-class nuclear science and technology campus, thanks to an investment of \$1.3 billion over ten years by the federal government, beginning in 2016.

Through the work and capabilities of the Chalk River Laboratories, AECL and CNL can act as a conduit between the government of Canada and private industry by identifying and facilitating opportunities for coordination between the public and private sectors to build support for initiatives that serve federal priorities, commitments, and goals.

## **2. Environmental Stewardship**

The objective is to address safely and responsibly the environmental responsibilities and liabilities which have resulted from legacy activities at AECL sites. These legacy liabilities are the result of decades of significant contributions and advancements in nuclear science which have benefitted Canadians and the world, including the development of the CANDU technology and the production of medical isotopes which are used in the diagnostic and treatment of cancer and other diseases. AECL is now focused on 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 clean up AECL’s sites, protect the environment, and make way for new buildings that will support the ongoing nuclear science and technology mission at the Chalk River site.

### **3. Leveraging CANDU Nuclear Technology**

AECL is committed to working with the federal government, provincial governments and the Canadian nuclear sector to identify and assess opportunities for “large nuclear” technologies in Canada and internationally. This will include efforts to facilitate enhanced CANDU designs to optimize Canada’s CANDU technology for today’s and tomorrow’s energy needs, provide energy security for Canadians and secure potential revenue opportunities for Canada as well as Canada’s CANDU supply chain. The protection and promotion of CANDU technology is in addition to AECL’s GoCo mandate and is not executed through the GoCo model.

## Third Quarter Highlights for 2023-24

### Nuclear Laboratories

AECL has been leading nuclear science and technology for over seven decades. The organization was the birthplace of Canada's nuclear industry, having hosted the first sustained criticality (controlled nuclear chain reaction) outside of the United States. More importantly, the Chalk River Laboratories were the birthplace of the CANDU reactor technology, a technology that today is used at 19 reactors in Canada, providing 15% of Canada's electricity, and 30 (CANDU or CANDU-derivatives) internationally. It also provided the research and facilities for breakthroughs in the life saving application of medical isotopes, including cobalt-60. Work undertaken at the Chalk River Laboratories has led to numerous and important scientific achievements – including two Nobel Prize winners.

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 production of medical isotopes and the provision of nuclear science and technology in the areas of energy, non-proliferation, emergency preparedness, counterterrorism, 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.

The restructuring of AECL and the implementation of the GoCo model have brought new opportunities for building on this important scientific legacy. AECL's mandate has been clearly defined by government to leverage the capabilities at the Chalk River Laboratories to support the federal government's needs and responsibilities in the area of nuclear science and technology (through the Federal Nuclear Science and Technology Work Plan and work for federal departments and agencies as a federal lab), as well as to provide services to third-parties on a commercial basis. This has been further enabled by an investment of \$1.3 billion over 10 years starting in 2016 for new and renewed science and site support infrastructure at the Chalk River Laboratories, with the objective of building a world-class, state-of-the-art nuclear science and technology campus.

Through the GoCo 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 AECL's 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, AECL has asked CNL to provide technical services and research and development products for third parties on a commercial basis.

CNL will focus on nine strategic initiatives to support the government and help commercial clients to tap into new and expanded markets:

- **Long-term reliability of existing reactors:** CNL will support the CANDU fleet of reactors domestically and internationally through work on life-extension and long-term reliability, and

support other reactor designs, advanced nuclear materials, fuels research and nuclear chemistry applications.

- **Advanced fuel fabrication:** CNL will develop advanced nuclear fuel concepts to support long-term reactor reliability and the development of advanced reactors. 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 2030, thereby positioning Canada to take a leadership role in this emerging nuclear technology. The objective is for Canada and CNL to leverage their expertise and facilities to position small modular reactors to provide low-carbon, reliable, load-following, scalable and cost-effective energy options to smaller and remote communities, mining and oil sands applications, and to fill other energy gaps and needs that often have a unique Canadian interest.
- **Hydrogen and the transportation sector:** CNL aims to leverage AECL's recent capital investments 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 for cancer treatment:** Targeted alpha therapy is a new area of research in the battle against cancer and other diseases. This therapy focuses tightly on cancer cells with a precision that spares their healthy neighbours.
- **Nuclear cybersecurity:** Cybersecurity of industrial control systems is a growing concern in all industries. In the nuclear industry, it represents a multibillion-dollar worldwide market. A large commercial industry caters to the cybersecurity of information technology systems. However, most solution providers are focused on conventional hacking and data theft. CNL has established a nuclear cybersecurity test facility in Fredericton, New Brunswick, and is 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 domestically and abroad. There is a growing demand from government departments and agencies for 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.
- **Science and technology for advanced environmental sustainability:** CNL works 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 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.

- **Fusion:** As the demand for clean electricity processes has reached critical status, fusion can help transform the world's energy supply and help meet the energy demands in the path to net-zero emissions. Canada has a unique opportunity to leverage existing technologies from the vast experience with CANDU in deuterium and tritium management to accelerate the development of this technology domestically and abroad. The first phase will be the CNL-led Fusion Innovation Hub which will provide an area to test and solve challenges with fusion and the deuterium-tritium cycle and position Canada as a leader in the fusion sector. The second phase will be for CNL and its partner(s) to construct a deuterium-tritium fusion cycle system at the Laboratories at Chalk River, generating commercial revenues, intellectual property, new jobs, and a highly qualified talent pool.

As part of its long-term vision for the Chalk River Laboratories, CNL will build and leverage strong connections and advance relationships with academia, science-based departments and laboratories in Canadian government, other national laboratories, and others in the science and technology ecosystem, leading to demonstrable project examples and pursuing opportunities to collaborate and build on the unique science and technology facilities and/or long-term financial stability that is consistent with the Science & Technology Partnering Strategy.

Third quarter highlights:

- Under AECL leadership, CNL and Isotope Technologies Munich (ITM) launched a joint venture called Actineer, to enable global production of Actinium-225 (225Ac). As a rare alpha-emitting medical radioisotope, 225Ac is quickly gaining attention across the precision oncology field due to its significant potential as a powerful new weapon in the fight against cancer. The joint venture will fulfill the unmet global manufacturing and production needs of this coveted radioisotope. Under terms of the agreement, Actineer will advance 225Ac production and processing technologies to establish short-term production capabilities of the medical isotope that will significantly boost international supplies, while working long-term towards the construction of a new Actinium Production Facility. CNL will provide the starting material for irradiation and initially manage the production process during the interim scale of radiochemical grade 225Ac supply, while ITM will further process the resulting 225Ac to pharmaceutical grade, and will also be responsible for global marketing, sales, and distribution, supported by its well-established global sales network. This is an exciting opportunity with life-saving potential on a large scale, and a great example of how the unique capabilities of the Chalk River Laboratories, partnered with the right private sector capacity, can make a major difference.
- AECL and CNL leadership visited the Oakridge National Laboratory in Tennessee, for an extensive multi-day tour of that impressive facility. Most notably, our US partners showcased the open campus design that they have built at the laboratory, which serves as an inspiration for the future Chalk River Campus, and which has already begun with the major new buildings present at the site. This example provides further inspiration for us in delivering a world-class, stimulating environment, where the best minds in the world can collaborate and deliver the break-through ideas of the next generation.

- AECL made significant advances in defining the overall program of work, and particularly options for investment in nuclear science and technology, within the next 10-year AECL funding window. For context, AECL requests funding from the government in multi-year increments, allowing it to better manage and plan on a longer-term basis, befitting the major projects (which take many years to complete), that it manages. The first funding period was approved in 2015, and expires in September 2025. This past quarter AECL published the draft Statement of Work for the new contract, for public comment, and for input from Indigenous communities. This offers an important degree of transparency and public and Indigenous engagement on the workplan for the next 10 years. In addition, AECL continues to refine its proposed 10-year funding proposal, with a major focus on its science mission. AECL is working closely with the government to define the science objectives and investment plan that will underpin the future of the Chalk River 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 (used fuel), intermediate-level waste and low-level waste. Several sites and/or buildings have also been contaminated as a result of nuclear science and technology activities and past waste management practices; these now need to be decontaminated and demolished, sites cleaned up and remediated, and the radioactive waste managed safely.

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 pursuant to an agreement between Canada and the municipalities. This project is one of the largest and most complex environmental projects in Canada.

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 GoCo 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 long-term radioactive waste disposal solutions and to advance other decommissioning activities to reduce its environmental liabilities.

Work has steadily progressed at the Chalk River Laboratories, with 116 buildings decommissioned since 2015. The contaminated materials, demolition debris, and contaminated soil require disposal in a way that protects the environment. CNL has proposed to build a Near Surface Disposal Facility (NSDF) at the Chalk River site. This purpose-built, engineered facility will enable the responsible and safe disposal of

AECL's low-level radioactive waste. This includes contaminated items like gloves, protective shoe covers, clothing, rags, mops, equipment, tools, contaminated building material, debris, and soil. Using an internationally accepted and proven method of disposing of low-level radioactive waste, the NSDF would receive waste stored on site and waste created through ongoing remediation and decommissioning activities at all AECL sites.

Third quarter highlights:

- As noted in the previous report, CNL, during a self assessment, uncovered critical gaps in Whiteshell Laboratories fire protection program in April, and initiated a safety shutdown of that facility, until such time as the issues identified could be satisfactorily addressed. AECL, along with the Canadian Nuclear Safety Commission (CNSC), has closely monitored CNL's response. That response has included pausing all non-essential work at the site, immediate action to reinforce the fire response team with additional capacity from Chalk River (short term), and addressing the gaps in the fire protection team. In October, the CNSC issued an Administrative Monetary Penalty to CNL for shortcomings in the response to the incident. AECL continues its strong oversight on this matter to ensure that no further issues arise. The penalty amount is based on an assessment of seven aggravating factors (e.g. compliance history, intention, and competitive benefit). The CNSC did not rate CNL's history or response as especially poor, but nonetheless, AECL takes this decision very seriously. CNL continues to progress through the CNSC and AECL reviewed multi-phase start-up plan to bring Whiteshell into full compliance with the terms of its license and ensure a return to full operation.
- AECL was proud to host a Canada-US-UK workshop on In-Situ Decommissioning. This event, held in Ottawa and at Chalk River in December, brought together waste owners and regulators from the three countries to share experiences, review case studies, and explore ways to work collectively to help increase understanding of In-Situ options and success stories. The workshop also included a tour of AECL's NPD site, allowing international colleagues to see one of our projects up close, and reflect on their own similar issues.

Under the Long-Term Relationship Agreement with the Algonquins of Pikwakanagan First Nation (AOPFN), work is now well underway. Subcommittees are in operation, and AECL, AOPFN, and CNL are now working on several challenging issues together. In addition, AECL senior leadership, including board members, and four different CNL cohorts have taken AOPFN-delivered Indigenous Cultural Awareness Training, making a real difference in building understanding of the Indigenous experience in Canada, and the history that underpins our relationships. AECL will work with AOPFN to schedule further sessions to provide more AECL staff with this valuable learning opportunity.

## **Additional Information on Items Beyond the Reporting Period**

We would like to add some additional information on two important developments that occurred outside of the period of this report: the CNSC decision on the near-surface disposal facility, and issues discovered with respect to CNL's learning management system.

### *Near Surface Disposal Facility*

On January 8, 2024, Canada's independent nuclear safety regulator – the Canadian Nuclear Safety Commission (CNSC) – announced its decision to permit the construction of the proposed near surface disposal facility at Chalk River. This is a major milestone for AECL and CNL, coming after years of hard work and extensive engagement. Pre-construction planning is proceeding, including meeting forest management requirements under the CNSC permit, and seeking required permits under the *Species at Risk Act*. In early February two groups made an application to the Federal Court of Canada for judicial review of the CNSC decision. The Federal Court has not set a date to hear the application. More updates will be provided in future reports as the application proceeds and we have a better understanding on the impact, if any, on project plans and timelines.

### *CNL Learning Management System*

On January 26, 2024, CNL apprised both AECL and the CNSC of gaps in its Learning Management System. Specifically, some mandatory radiation protection and other training requalification requirements had lapsed, without CNL management being aware. While no health and safety issues resulted from this lapse, AECL has taken immediate action so that CNL deals with the training gap issue in a programmatic and priority manner, and looks to understand and address any larger systemic issues. In response, CNL immediately paused work at the Chalk River site until managers could affirm that staff had the qualifications required for the work assigned to them, organized a company-wide review of training certifications and roles (to confirm that staff with lapsed training actually require that training for the roles they are performing), and delivered remedial training on a priority basis. Looking at the longer term, CNL has committed to a root cause analysis, and AECL is closely monitoring the response so that the necessary systems, management culture, and governance elements are in place to prevent any further issues with respect to training on AECL sites.

## 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 nine months ended December 31, 2023, 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 anticipates and manages risks using sound practices. AECL's risk-management approach encompasses risks both to itself and to CNL's 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 and their potential to affect its financial results.

**Human Resources:** AECL is a small organization that relies on a small complement of highly trained and experienced personnel, several of whom bring both contractor and government experience in managing similar GoCo arrangements. AECL's goal is to maintain the necessary expertise and capabilities to oversee the GoCo contract and achieve value for money for Canada. AECL's small size presents an ongoing challenge to adapt to fluctuating resourcing requirements across the organization and backfill those on short-term leave where appropriate. AECL uses third-party service contracts to ensure that it is staffed effectively and that its people receive cross-training when opportunities arise. A succession plan is in place and is reviewed regularly. AECL regularly reviews its total compensation package 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, it faces an inherent risk that the contractor may fail to perform. To mitigate this risk, AECL carefully structured its contract with CNL to include incentives to deliver on its priorities and enable performance. AECL sets annual priorities and achievable stretch targets and, throughout the year, evaluates CNL's and its parent companies' performance to highlight strengths and weaknesses, and to afford the opportunity to correct where needed.

**Costs to Operate Chalk River Laboratories:** The 2018 shutdown of the National Research Universal reactor resulted in lost revenue, including isotope sales, and diminishing funding for the National Research Universal reactor. This created pressures in funding corporate support and site-operating

costs. These must be borne by the remaining programs. CNL continues to look to reduce indirect costs to address the pressures, and to examine all long-term options to enable a sustainable organization that protects the environment, health, and safety.

**Major Waste Disposal Projects:** AECL's mandate includes environmental stewardship and remediation of sites for the benefit of future generations. Three important projects designed to reduce environmental risks and improve environmental protection are proceeding through environmental assessments:

- Construction of the Near Surface Disposal Facility at the Chalk River Laboratories.
- In situ decommissioning of the WR-1 research reactor at the Whiteshell Laboratories 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 communities, are key to the projects' success. With project schedules being extended, this has allowed CNL adequate time to consider stakeholders' comments and concerns, and to accommodate requests from the regulator for additional technical studies. These schedule changes have held back plans for large-scale cleanup and remediation activities at the Chalk River Laboratories, but they have also allowed for more public and Indigenous engagement, and for the development of additional safety studies.

**Indigenous Engagement and Consultation:** AECL faces increasing needs to support capacity development, to conduct traditional knowledge studies, and to participate in regulatory processes and environmental monitoring. CNL also continues its outreach activities across all sites. AECL is engaged with Indigenous communities in building meaningful and mutually beneficial relationships, recognizing that these take time, and that its success depends on the strength of these relationships. AECL and CNL work closely together to increase participation, collaboration and mutual benefit with Indigenous communities. AECL is reinforcing its Indigenous engagement program and oversight activities.

**Public Relations:** AECL depends on the support of key stakeholders, including government and the public. It looks for relationship-building opportunities, and innovative and effective means to reach its audiences. Working with CNL, AECL uses clear messaging and a variety of communications tools to reach key audiences more effectively.

**Cybersecurity:** AECL takes a two-fold approach to cybersecurity risk: cybersecurity within its own organization and CNL's cybersecurity efforts to protect AECL's information assets. AECL and CNL work continuously to improve cybersecurity capabilities, with a focus on training and adaptation.

# Financial Review

(\$ millions)	Three Months Ended		Nine Months Ended	
	December 31		December 31	
	2023	2022	2023	2022
<b>Revenues</b>				
Parliamentary appropriations	\$ 317	\$ 278	\$ 882	\$ 708
Commercial revenue	22	30	85	102
Interest income	8	5	22	10
Other proceeds	-	-	-	7
	<b>347</b>	<b>313</b>	<b>989</b>	<b>827</b>
<b>Expenses</b>				
Cost of sales	17	19	60	63
Operating expenses	21	14	62	48
Contractual expenses	57	49	193	196
Decommissioning, waste management and contaminated sites expenses	1,221	(52)	379	(929)
	<b>1,316</b>	<b>30</b>	<b>694</b>	<b>(622)</b>
<b>Surplus (deficit) for the period</b>	<b>\$ (969)</b>	<b>\$ 283</b>	<b>\$ 295</b>	<b>\$ 1,449</b>

## Parliamentary Appropriations

The government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$317 million of Parliamentary appropriations in the third quarter of 2023-24, compared to \$278 million in the same period in 2022-23. On a year-to-date basis, AECL recognized \$882 million in Parliamentary appropriations, compared to \$708 million for the same period in 2022-23. The quarterly and year-to-date variance is due largely to an increase in funding required to execute decommissioning, remediation, and waste management activities, as well as increased spending toward Chalk River infrastructure, as planned.

## Commercial Revenue

In the third quarter of 2023-24, \$22 million in revenue was recognized, compared to \$30 million for the same period in 2022-23. On a year-to-date basis, revenues were \$85 million, compared to \$102 million in 2022-23. Revenue included research and development activities performed by CNL for commercial customers, as well as heavy water sales. The quarterly and year-to-date decrease in commercial revenue is a result of decreased heavy water sales.

## **Interest Income**

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

## **Other Proceeds**

Other proceeds relate to a commercial settlement recorded during the prior year.

## **Cost of Sales**

Cost of sales is consistent compared to the prior periods but is higher as a percentage of commercial revenue due to decreased sales of higher margin heavy water.

## **Operating Expenses**

Operating expenses are largely comprised of AECL's oversight expenses and amortization of tangible capital assets. Operating expenses in the third quarter of \$21 million and year-to-date of \$62 million are higher compared to the same periods in 2022-23 due largely to an increase in professional services related to the ongoing GoCo procurement. This unique project represents a significant, time-bound increase in AECL operations as AECL has stood up a dedicated project team for renewal of the GoCo contract. This team involves both senior AECL staff, key advisors, and legal support, and is projected to be in place for three years. The increase over the prior period is also a result of provision adjustments done in the prior year.

## **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 third quarter of \$57 million and year-to-date of \$193 million are comparable to the prior periods.

## **Decommissioning, Waste Management and Contaminated Sites Expenses**

Decommissioning, waste management and contaminated sites expenses consist of financial expenses, the impact on the liability of a change in discount rate, 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. Changes in discount rate will impact the net present value of the reported liabilities. If the discount rate increases during the year, the result would be a decrease in the Decommissioning, waste management and contaminated sites expenses. If the discount rate decreases, the result would be an increase to the reported expenses. For a sensitivity of a 1% change in the discount rate, refer to the annual audited financial statements dated March 31, 2023. Revaluation gains and losses represent changes to the estimates for the reported obligations.

Decommissioning, waste management and contaminated sites expenses in the third quarter of 2023-24 are significantly higher than the same period in 2022-23 due to the significant decrease in discount rate recorded in the current quarter, as a result of the adoption of the PSAS ARO standard and the requirement to revalue the liability at every reporting date using a current rate. The prior period rate increased by 0.20%, versus a 0.76% decrease in the current period.

### Surplus (Deficit) for the Period

Consistent with AECL's financial reporting framework, appropriations are recognized as revenue when received in a given period, or as deferred funding to the extent they relate to the months following the period end, 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 2023-24 year-to-date expenditures are generally comparable to the planned results. As such, AECL is on track to meet its commitments within budget. Priorities and deliverables have not materially changed in the first nine months of 2023-24.

## Cash Flow and Working Capital

<i>(\$ millions)</i>	Nine Months Ended	
	December 31	
	2023	2022
Cash provided by operating transactions	\$ 492	\$ 276
Cash applied to capital transactions	(127)	(106)
Cash applied to investing transactions	(159)	(80)
Increase in cash	206	90
Balance at beginning of the period	145	262
<b>Balance at end of the period</b>	<b>\$ 351</b>	<b>\$ 352</b>

## Operating Transactions

Operating transactions generated a net cash inflow of \$492 million in the third quarter of 2023-24, compared to an inflow of \$276 million during the same period of the previous year. The variance is a result of higher appropriations received in the third quarter of 2023-24, deferred funding received in the quarter, as well as amounts receivable from a previous period. Refer to Note 9 of the unaudited financial statements for a reporting on how appropriations received were used during the period.

## Capital Transactions

Capital transactions used cash in the third quarter of 2023-24 of \$127 million compared to \$106 million in the same period in the previous year. The variance is a result of increased spending in the current year toward new Chalk River site infrastructure.

## Investing Transactions

The \$159 million cash used in investing transactions in the third quarter of 2023-24 was an increase over the same period in the prior year primarily due to increased investment in short-term investments during the period.

## Highlights of the Statement of Financial Position

	December 31	March 31	Variance	Variance
<i>(\$ millions)</i>	2023	2023	In \$	By %
Financial Assets	\$ 797	\$ 607	\$ 190	31%
Liabilities	10,328	10,346	(18)	0%
Non-Financial Assets	1,063	975	88	9%
Accumulated Deficit	(8,468)	(8,764)	296	-3%

AECL closed the third quarter of 2023-24 with Financial Assets of \$797 million, which represents a \$190 million increase from March 31, 2023. This variance is mainly the result of deferred funding received as cash before the end of the quarter.

The decrease in Liabilities of \$18 million can be attributed primarily to a \$307 million decrease in Decommissioning, waste management and contaminated sites liabilities due to spending toward those activities, partly offset by an increase in deferred funding.

## **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. AECL records Parliamentary appropriations received in the period as revenue in the Statement of Operations 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's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, 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.



**Fred Dermarkar**

*President and Chief Executive Officer*

February 21, 2024

Chalk River, Canada



**Thomas Assimes**

*Chief Financial Officer*

February 21, 2024

Chalk River, Canada

# UNAUDITED FINANCIAL STATEMENTS

## Statement of Financial Position

As at

<i>(thousands of Canadian dollars)</i>	Notes	December 31 2023	March 31 2023
<b>Financial Assets</b>			
Cash		\$ 351,421	\$ 145,522
Short-term investments		251,614	92,428
Long-term disposal of waste fund		34,870	32,734
Investments held in trust		76,169	74,259
Trade and other receivables	3	40,423	40,892
Appropriations receivable	9	-	160,500
Inventories held for resale		42,364	60,746
		<b>796,861</b>	<b>607,081</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	4	25,992	27,394
Employee future benefits	5	12,190	12,880
Due to Canadian Nuclear Laboratories		245,252	247,978
Deferred funding	9	294,700	-
Decommissioning and waste management provision	6	8,653,204	8,723,480
Contaminated sites liability	7	1,096,758	1,333,856
		<b>10,328,096</b>	<b>10,345,588</b>
<b>Net Debt</b>		<b>(9,531,235)</b>	<b>(9,738,507)</b>
<b>Non-Financial Assets</b>			
Tangible capital assets	8	1,063,112	973,537
Prepaid expenses		-	1,045
		<b>1,063,112</b>	<b>974,582</b>
<b>Accumulated Deficit</b>		<b>(8,468,123)</b>	<b>(8,763,925)</b>
Accumulated deficit is comprised of:			
Accumulated operating deficit		(8,466,430)	(8,761,229)
Accumulated remeasurement losses		(1,693)	(2,696)
		<b>\$ (8,468,123)</b>	<b>\$ (8,763,925)</b>

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

## Statement of Operations

	Notes	2024	Three Months Ended		Nine Months Ended	
		Budget	December 31 2023	December 31 2022	December 31 2023	December 31 2022
<i>(thousands of Canadian dollars)</i>						
<b>Revenues</b>						
Parliamentary appropriations	9	\$ 1,547,310	\$ 316,600	\$ 277,700	\$ 882,000	\$ 707,900
Commercial revenue		115,000	22,462	30,242	84,615	101,940
Interest income		4,000	7,740	5,174	21,725	10,279
Other proceeds		-	-	-	-	7,000
		1,666,310	346,802	313,116	988,340	827,119
<b>Expenses</b>						
Cost of sales		80,500	16,664	18,927	59,798	62,852
Operating expenses		70,937	21,222	13,761	61,686	47,925
Contractual expenses	10	216,024	57,351	48,985	192,775	196,643
Decommissioning, waste management and contaminated sites expenses		290,651	1,220,379	(51,617)	379,282	(929,345)
		658,112	1,315,616	30,056	693,541	(621,925)
<b>Surplus (deficit) for the period</b>		1,008,198	(968,814)	283,060	294,799	1,449,044
<b>Accumulated operating deficit, beginning of period</b>		(8,761,229)	(7,497,616)	(8,456,866)	(8,761,229)	(9,622,850)
<b>Accumulated operating deficit, end of period</b>		\$ (7,753,031)	\$ (8,466,430)	\$ (8,173,806)	\$ (8,466,430)	\$ (8,173,806)

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

## Statement of Remeasurement Gains and Losses

<i>(thousands of Canadian dollars)</i>	<b>Nine Months Ended</b>	
	<b>2023</b>	<b>December 31 2022</b>
<b>Accumulated remeasurement losses, beginning of period</b>	<b>\$ (2,696)</b>	<b>\$ (2,515)</b>
<b>Remeasurement losses arising during the period</b>		
Unrealized losses on Investments held in trust	<b>(249)</b>	<b>(2,966)</b>
<b>Reclassifications to the Statement of Operations</b>		
Realized losses on Investments held in trust	<b>1,252</b>	<b>12</b>
<b>Net remeasurement gains (losses) for the period</b>	<b>1,003</b>	<b>(2,954)</b>
<b>Accumulated remeasurement losses, end of period</b>	<b>\$ (1,693)</b>	<b>\$ (5,469)</b>

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

## Statement of Change in Net Debt

<i>(thousands of Canadian dollars)</i>	Notes	2024	Nine Months Ended	
		Budget	2023	December 31 2022
<b>Surplus (deficit) for the period</b>		\$ 1,008,198	\$ 294,799	\$ 1,449,044
<b>Tangible capital assets</b>				
Acquisition of tangible capital assets	8	(171,000)	(125,216)	(116,435)
Amortization of tangible capital assets	8	43,947	34,865	34,757
Other changes	8	-	776	109
		(127,053)	(89,575)	(81,569)
<b>Non-financial assets</b>				
Changes in prepaid expenses		-	1,045	143
<b>Net remeasurement gains (losses) for the period</b>		-	1,003	(2,954)
<b>Decrease in net debt</b>		881,145	207,272	1,364,664
<b>Net debt, beginning of period</b>		(9,738,507)	(9,738,507)	(10,482,291)
<b>Net debt, end of period</b>		\$ (8,857,362)	\$ (9,531,235)	\$ (9,117,627)

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

## Statement of Cash Flows

	Nine Months Ended December 31	
<i>(thousands of Canadian dollars)</i>	2023	2022
<b>Operating transactions</b>		
Cash receipts from Parliamentary appropriations	\$ 1,337,200	\$ 922,700
Cash receipts from customers and other sources	84,443	133,241
Cash paid to suppliers	(249,584)	(246,041)
Cash paid to employees	(10,518)	(10,257)
Cash paid for decommissioning, waste management and contaminated sites activities	(686,656)	(529,171)
Cash designated for future waste management and disposal activities	(1,040)	(1,800)
Interest received	18,196	7,199
<b>Cash provided by operating transactions</b>	<b>492,040</b>	<b>275,871</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(126,955)	(105,480)
<b>Cash applied to capital transactions</b>	<b>(126,955)</b>	<b>(105,480)</b>
<b>Investing transactions</b>		
Cash invested in short-term investments	(159,186)	(80,329)
<b>Cash applied to investing transactions</b>	<b>(159,186)</b>	<b>(80,329)</b>
<b>Increase in cash</b>	<b>205,899</b>	<b>90,062</b>
<b>Cash, beginning of period</b>	<b>145,522</b>	<b>262,095</b>
<b>Cash, end of period</b>	<b>\$ 351,421</b>	<b>\$ 352,157</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the three and nine months ended December 31, 2023

(Expressed in thousands of Canadian dollars)

(Unaudited)

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### 1. General Information

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 His Majesty in Right of Canada. As a result, AECL's liabilities are ultimately liabilities of His 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 2023-2024 to 2027-2028 Corporate Plan to the Treasury Board for approval. The Corporate Plan is aligned with the direction provided by AECL's sole shareholder, the government of Canada, and reflects AECL's plans and priorities to be delivered 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, 2023. The accounting policies used in these statements are consistent with those disclosed in the most recent annual audited financial statements dated March 31, 2023.

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 regularly 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 2023-24 budget is reflected in the Statement of Operations and the Statement of Change in Net Debt. Budget data presented in these financial statements is based upon the 2023-24 projections and estimates contained within the 2023-24 to 2027-28 Corporate Plan.

### **3. Trade and Other Receivables**

<i>(thousands of Canadian dollars)</i>	<b>December 31</b>	March 31
	<b>2023</b>	2023
Trade receivables	\$ 6,699	\$ 14,336
Unbilled revenue	<b>17,532</b>	11,404
Consumption taxes receivable	<b>16,192</b>	15,152
	<b>\$ 40,423</b>	\$ 40,892

## 4. Accounts Payable and Accrued Liabilities

	December 31		March 31
<i>(thousands of Canadian dollars)</i>	<b>2023</b>		2023
Trade payables	\$ 68	\$	1,488
Other payables and accrued expenses	<b>20,783</b>		19,820
Accrued payroll liabilities	<b>2,110</b>		2,410
Amounts due to related parties	<b>439</b>		443
Provisions	<b>165</b>		165
Customer advances and obligations	<b>2,427</b>		3,068
	<b>\$ 25,992</b>	\$	<b>27,394</b>

Provisions are short-term in nature and are not discounted and include estimated costs related to lawsuits and 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		Nine Months Ended	
	December 30		December 30	
<i>(thousands of Canadian dollars)</i>	<b>2023</b>	2022	<b>2023</b>	2022
Payments by employees	\$ 256	\$ 232	\$ 756	\$ 719
Payments by employer	<b>667</b>	326	<b>1,779</b>	1,534

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 and other post-employment benefits as described in Note 2(h) of the annual audited financial statements dated March 31, 2023. 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 voluntary termination compensation included in the reported Employee future benefits liability is \$4.7 million (March 31, 2023: \$4.7 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 relates to obligations stemming from activities undertaken prior to the creation of AECL in 1952.

	Nine Months Ended December 31 2023	Year Ended March 31 2023
<i>(thousands of Canadian dollars)</i>		
<b>Carrying amount - Beginning of period</b>	<b>\$ 8,723,480</b>	\$ 9,304,857
Liabilities settled	<b>(426,132)</b>	(522,266)
Unwinding of discount	<b>202,755</b>	218,348
Effect of change in discount rate	<b>34,662</b>	(994,968)
Revision in estimate and timing of expenditures	<b>117,399</b>	715,390
Estimates affecting Property, plant and equipment and future disposal costs for waste from ongoing operations	<b>1,040</b>	2,119
<b>Carrying amount - End of period</b>	<b>\$ 8,653,204</b>	\$ 8,723,480

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$16,655.5 million (March 31, 2023: \$17,024.4 million).

The provision was discounted using a rate of 2.99% as at December 31, 2023. The opening balance as at March 31, 2023 was discounted using a rate of 3.01%.

## 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.

	Nine Months Ended December 31 2023	Year Ended March 31 2023
<i>(thousands of Canadian dollars)</i>		
<b>Carrying amount - Beginning of period</b>	<b>\$ 1,333,856</b>	<b>\$ 1,531,318</b>
Liabilities settled	<b>(261,562)</b>	(231,217)
Unwinding of discount	<b>32,446</b>	33,714
Effect of change in discount rate	<b>(7,982)</b>	(35,348)
Revision in estimate and timing of expenditures	-	35,389
<b>Carrying amount - End of period</b>	<b>\$ 1,096,758</b>	<b>\$ 1,333,856</b>

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 2030-31, 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 3.09% at December 31, 2023. The opening balance as at March 31, 2023 was discounted using a rate of 2.92%. The estimated total undiscounted expenditures are \$1,241.3 million (March 31, 2023: \$1,502.9 million).

## 8. Tangible Capital Assets

(thousands of Canadian dollars)

	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
<b>Cost at March 31, 2023</b>	\$ 343,180	\$ 154,471	\$ 607,248	\$ 521,110	\$ 1,626,009
Additions and transfers	125,216	1	610	8,133	133,960
Disposals and transfers	(8,743)	-	(973)	(3,292)	(13,008)
<b>Cost at December 31, 2023</b>	<b>459,653</b>	<b>154,472</b>	<b>606,885</b>	<b>525,951</b>	<b>1,746,961</b>
<b>Accumulated amortization at March 31, 2023</b>	-	<b>63,439</b>	<b>263,058</b>	<b>325,975</b>	<b>652,472</b>
Increase in amortization	-	3,805	11,464	19,596	34,865
Disposals and transfers	-	-	(383)	(3,105)	(3,488)
<b>Accumulated amortization at December 31, 2023</b>	-	<b>67,244</b>	<b>274,139</b>	<b>342,466</b>	<b>683,849</b>
<b>Net carrying amount at March 31, 2023</b>	<b>343,180</b>	<b>91,032</b>	<b>344,190</b>	<b>195,135</b>	<b>973,537</b>
<b>Net carrying amount at December 31, 2023</b>	<b>\$ 459,653</b>	<b>\$ 87,228</b>	<b>\$ 332,746</b>	<b>\$ 183,485</b>	<b>\$ 1,063,112</b>

## 9. Parliamentary Appropriations

	Three Months Ended December 31		Nine Months Ended December 31	
(thousands of Canadian dollars)	2023	2022	2023	2022
<b>Parliamentary appropriations for operating, capital and statutory expenditures</b>				
Amount received during the period for operating, capital and statutory expenditures	\$ 611,300	\$ 492,500	\$ 1,337,200	\$ 922,700
Amount receivable from a previous period	-	-	(160,500)	-
Amount received related to the next period (Deferred funding)	(294,700)	(214,800)	(294,700)	(214,800)
<b>Total Parliamentary appropriations recognized</b>	<b>\$ 316,600</b>	<b>\$ 277,700</b>	<b>\$ 882,000</b>	<b>\$ 707,900</b>

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, 2024 total \$1,547.3 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		Nine Months Ended	
	December 31		December 31	
<i>(thousands of Canadian dollars)</i>	2023	2022	2023	2022
<b>Contractual amounts paid or payable</b>	\$ 339,628	\$ 292,020	\$ 1,043,367	\$ 875,427
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(231,123)	(175,891)	(685,420)	(528,876)
Less: Costs charged to Construction in progress	(37,663)	(55,204)	(125,216)	(116,435)
Less: Costs classified as Cost of sales	(13,491)	(11,940)	(39,956)	(33,473)
<b>Contractual expenses</b>	\$ 57,351	\$ 48,985	\$ 192,775	\$ 196,643

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

## 11. Comparative Figures

Certain of the December 31, 2022 comparative figures have been adjusted to conform to the requirements of PS 3280 Asset retirement obligations, which was adopted effective April 1, 2022. For additional information on this adjustment, refer to Note 3 of the most recent annual audited financial statements dated March 31, 2023.



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