



ATOMIC ENERGY OF CANADA LIMITED

Third Quarter Financial Report

Financial Statements (Unaudited)

**As at and for the three and nine months ended
December 31, 2020**

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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



This is my first report since becoming President and CEO of AECL on February 8, 2020. I am struck by the confluence of challenges and opportunities which present themselves as I join the team. On the challenge side, the COVID-19 pandemic is certainly noteworthy: it continues to impact how we work and how we deliver important projects for Canadians. On the other hand, I arrive at AECL at such an exciting time: while COVID-19 has challenged us, it has also enabled us to step up and contribute to the national response efforts. We showed that the expertise and capabilities of our national laboratories are fundamental to our science and innovation chain. Together with our contractor, Canadian Nuclear Laboratories (CNL), we brought our expertise to bear to contribute to the development of a new ventilator, the first delivery of which was completed in December after receipt of Health Canada authorization. Contributions were also made in our community, with CNL partnering with the Deep River and District Hospital to establish a COVID-19 testing centre and administer flu shot clinics.

Looking at longer term opportunities, AECL's and CNL's work to advance research in the areas of small modular reactors, hydrogen, border safety and cancer research, have placed us at the forefront of key initiatives to help Canada tackle important issues such as climate change.

Nuclear research and innovation have been a passion of mine for many years. I am proud and humbled to join an organization with such history and gravitas as AECL. I am excited by the opportunities presented to us by the Government-owned, Contractor-operated model, and by CNL's work to remediate our sites, revitalize the Chalk River Laboratories and transform it into a world-class, modern and state-of-the-art nuclear science and technology campus.

I am particularly pleased to be joining the team of experts at AECL. It is our role to set priorities and oversee CNL's performance. I feel confident that we have the right skill set to challenge CNL and bring value to Canada.

With respect to accomplishments during the third quarter of 2020-21, the second wave of COVID-19 has meant that activities had to be scaled back, and further precautions taken to protect workers, their families and our communities. Both AECL and CNL staff continued to show their flexibility and resilience; despite these changes, a number of projects and initiatives continued to progress. This included CNL submitting an updated Environmental Impact Statement for the proposed Near Surface Disposal Facility, the start of demolition of a former liquid treatment centre at the Whiteshell site, and the completion of waste emplacement at the Port Granby Long-term Waste Management Facility. All these projects are important in helping us deliver on our mandate to protect the environment.

On the nuclear science and technology front, we continued our series of webinars on the outcomes of our research projects under the Federal Nuclear Science and Technology Work Plan. CNL was also awarded a contract by Transport Canada to research clean energy technologies to decarbonize the

marine sector, and launched the second round of its call for proposals under the Canadian Nuclear Research Initiative, which is meant to accelerate the deployment of small modular reactors and advanced reactors in Canada through research collaboration.

I recognize that these achievements were made before I came onboard as AECL's President and CEO. I also want to acknowledge the tremendous work that my predecessor, Richard Sexton, has done to navigate the organization through the implementation of the Government-owned, Contractor-operated model, the COVID-19 pandemic, and the multiple initiatives which have advanced AECL's mandate and benefitted Canadians. Richard is retiring after 38 years in the nuclear industry.

I humbly take the torch being passed to me and look forward to continuing this important work with the help of the AECL team.

A handwritten signature in black ink, reading "F. Dermarkar .". The signature is fluid and cursive, with a period at the end.

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 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 February 24, 2021.

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 environmental stewardship program and deliver world-class nuclear science and technology at the Chalk River Laboratories. As an agent of the Government of Canada, AECL brings value to Canada by providing expert-based oversight of the Government-owned, Contractor-operated arrangements with a view to achieving its mandate and priorities. AECL plays a challenge function with a view to advancing 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.

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 CNL's 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 agreement.

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.

Third Quarter Highlights for 2020-21

The third 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. Because of provincial restrictions and the need to take additional precautions to protect workers and the community, some 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 understood until much later into 2021 and beyond.

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. These ventilators were delivered and accepted by Public Health Canada in December, with deliveries to continue thereafter. CNL has also worked on an ultraviolet disinfection unit for N95 masks to help address the personal protective equipment shortages globally. CNL also made important contributions locally through the donation of personal protective equipment, and, most recently, partnered with the Deep River and District Hospital to establish a COVID-19 testing centre and administer flu clinics that will serve local residents around our Chalk River Laboratories site in Ontario.

Below is an overview of achievements for the third 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 (used 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 98 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 need 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. 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 and tools, as well as contaminated building material, debris and soil. A near surface disposal facility is an appropriate, internationally accepted and proven method of disposing of low-level radioactive waste. The radioactive waste intended for the disposal facility includes waste currently stored on site and waste which will be created as a result of remediation and decommissioning activities at AECL sites (i.e. contaminated soil and building debris). It also includes waste which will continue to be produced as a result of ongoing nuclear science and technology activities at the Chalk River site.

Progress in the area of environmental stewardship for the third 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 research reactor continued with CNL engaging with Indigenous groups to discuss the project, and preparing documentation for eventual submission to the regulator. This also included specific performance testing of the grout that is planned to be used as part of the project; an 18-month long test was completed to confirm that the local components (e.g. soil, water) making up the grout would stand the test of time.

CNL also advanced work to decommission certain buildings. For example, demolition of building 200, a former liquid treatment centre, was started following all necessary and preparatory steps to carefully plan for its decontamination. Furthermore, activities continued 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).

That said, the second wave of COVID-19 has had impacts on work at the Whiteshell site, and in November CNL initiated a methodical shutdown of field activities, while maintaining essential activities to maintain the safety of the site and facilities.

At the **Chalk River site** in Ontario, despite onsite staff restrictions due to the pandemic, CNL dedicated a majority of their effort towards the decommissioning of Building 250 and the Building 200 series, which represent four of the highest risk buildings and most complex to be decommissioned on the site. CNL was able to advance the projects on schedule in order to reduce these risks, all the while maintaining proper COVID-19 safety protocols. CNL also continued to advance planning work on the proposed Near Surface Disposal Facility, including engaging with local stakeholders and Indigenous communities, responding to questions and finalizing documents in support of its Environmental Impact Statement. In December, CNL submitted updated documentation 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 third quarter was focused on responding to questions from, and engaging with, Indigenous groups on the proposal. In December, CNL submitted a revised Environmental Impact Statement to the Canadian Nuclear Safety Commission.

AECL is also responsible for fulfilling Canada's responsibilities with respect to historic low-level radioactive 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, which represents an important milestone for this large remediation project. In total, 1.3 million tonnes of historic low-level radioactive waste has been relocated from the shorelines of Lake Ontario in Clarington, to a new, near surface facility. Activities are now underway to finalize the project by capping and closing the facility, and dismantling some supporting infrastructure that is no longer needed.

As part of the Port Hope project, AECL and CNL continued to engage the public, stakeholders and Indigenous communities as part of a proposal to change 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 communities 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. During this quarter, CNL's proposal to start the decommissioning of non-nuclear facilities was the subject of a public hearing in front of the Canadian Nuclear Safety Commission. 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 innovation 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.

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, the 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 for cancer treatment:** 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.
- **Science and technology for advanced environmental sustainability:** 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 third 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 third quarter, CNL pursued activities in this respect, including:

- AECL and the United States National Nuclear Security Administration signed a memorandum of understanding to collaborate in areas of mutual interest including research and development in nuclear security, safeguards, and non-proliferation, and the sharing of information related to the peaceful use of nuclear energy.
- CNL was awarded a contract by Transport Canada to research clean energy technologies to decarbonize the marine sector. The three-year project entails the development of an assessment tool to examine clean technologies that could reduce greenhouse gas emissions and the release of other pollutants from marine vessels. Using what is known as CNL's Marine-Zero Fuel™ (MaZeFTM) Assessment Tool, the objective is to help Canada assess and pursue the use of hydrogen and other clean energy technologies to transition away from traditional forms of fuel that are contributing to marine pollution and climate change.
- AECL, in collaboration with CNL, continued its 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. During the quarter, five webinars were held on research under health, safety and security, and the environment.

- CNL issued its second call for proposals under the Canadian Nuclear Research Initiative, which is meant to accelerate the deployment of small modular reactors in Canada by enabling research and development. The program has been expanded in size and scope to incorporate all advanced reactor designs, including next-generation on-grid reactors and fusion technologies.
- In support of the Chalk River site revitalization, construction activities on new buildings continued during the third 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's and CNL's commitment to sustainability.
 - Construction of the new site entrance and logistics building was completed during the quarter and started operations. The building will allow for more efficient receipt, storage and distribution of goods onto the site, with improvements in security and workflow.
 - Construction of the maintenance building, which will serve as a centralized maintenance and support building, is well underway. The facility will consolidate a number of shops on site to increase efficiency and allow for older buildings to be decommissioned.
 - Activities on a new office building, the Business Hub, also progressed with further planning and site preparation work.
 - 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, support for Canada's CANDU fleet 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 nine months ended December 31, 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 in the fall, 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 reflect government and health authority guidance, provide for COVID-19 countermeasures including changes to workspaces and work procedures to maintain physical distancing, provide personal protective equipment and training, and implement 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 where appropriate. 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 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. AECL is engaged with Indigenous communities in building meaningful and mutually beneficial relationships, recognizing that these take time. AECL and CNL are working closely together and are looking for more ways to increase participation, collaboration and mutual benefit with Indigenous communities.

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 contract. AECL and CNL work to continuously improve cybersecurity capabilities, with a focus on training and adaptation.

Financial Review

	Three Months Ended		Nine Months Ended	
	December 31		December 31	
(\$ millions)	2020	2019	2020	2019
Revenues				
Parliamentary appropriations	\$ 212	\$ 197	\$ 583	\$ 540
Commercial revenue	25	24	69	84
Interest income	1	2	3	4
	238	223	655	628
Expenses				
Cost of sales	16	16	49	58
Operating expenses	17	17	50	53
Contractual expenses	39	53	159	188
Decommissioning, waste management and contaminated sites expenses	291	66	457	518
	\$ 363	\$ 152	715	817
Surplus (deficit) for the period	\$ (125)	\$ 71	\$ (60)	\$ (189)

Parliamentary Appropriations

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$212 million of Parliamentary appropriations in the third quarter of 2020-21, compared to \$197 million for the same period in 2019-20. On a year-to-date basis, AECL recognized \$583 million of Parliamentary appropriations, compared to \$540 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, partly offset by decreased spending on the NRU reactor, which was shutdown in 2018 and for which close-out activities have wound down.

Commercial Revenue

In the third quarter of 2020-21, \$25 million in revenue was recognized, compared to \$24 million for the same period in 2019-20. On a year-to-date basis, revenues were \$69 million, compared to \$84 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 third quarter of \$17 million and year-to-date of \$50 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 third quarter total \$39 million, compared to \$53 million in the third quarter of 2019-20. Year-to-date expenses in this category total \$159 million compared to \$188 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 wound down.

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. 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 2020-21 of \$291 million are higher than that of the same period in 2019-20 due to approved changes to project estimates. The expenses year-to-date of \$457 million are lower than the same period of 2019-20 as a result of approved changes to project estimates recorded in second quarter of the prior year, partially offset by the changes discussed above recorded in the current year.

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 2020-21 year-to-date expenditures are trending behind plan due to delays in environmental stewardship activities and capital projects, largely associated with reduced operations 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 could potentially 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 nine months of 2020-21 although the timing of completion has slipped in some instances due to the pandemic.

Cash Flow and Working Capital

(\$ millions)	Nine Months Ended	
	2020	2019
Cash provided by operating transactions	\$ 404	\$ 88
Cash applied to capital transactions	(87)	(69)
Increase in cash	317	19
Balance at beginning of the period	80	62
Balance at end of the period	\$ 397	\$ 81

Operating Transactions

Operating transactions generated a net cash inflow on a year-to-date basis of \$404 million compared to an inflow of \$88 million during the same period of the previous year. The variance is a result of increased Parliamentary appropriations due in part to an increase in funding in the current year as discussed above and receipt of parliamentary appropriations receivable at March 31, 2020 of \$100 million. Appropriations of \$235 million for the fourth quarter of the current year were also received before the end of the third quarter, resulting in an increase of cash. 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 on a year-to-date basis of \$80 million compared to \$62 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)	December 31	March 31	Variance	Variance
	2020	2020	In \$	By %
Financial Assets	\$ 678	\$ 524	\$ 154	29%
Liabilities	8,533	8,280	253	3%
Non-Financial Assets	758	716	42	6%
Accumulated Deficit	(7,097)	(7,040)	(57)	1%

AECL closed the third quarter of 2020-21 with Financial Assets of \$678 million, which represents an \$154 million increase from March 31, 2020. This variance is mainly the result of an increase in cash related to \$235 million of funding for the fourth quarter of the current year received before the end of

the third quarter, partly offset by a \$100 million decrease in the Appropriations receivable that was accrued at the end of the previous fiscal year and largely consumed in the first quarter.

The increase in Liabilities of \$253 million can be attributed primarily to the \$235 million 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 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'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 24, 2021

Chalk River, Canada



David J. Smith

Chief Financial Officer

February 24, 2021

Chalk River, Canada

UNAUDITED FINANCIAL STATEMENTS

Statement of Financial Position

As at

<i>(thousands of Canadian dollars)</i>	Notes	December 31 2020	March 31 2020
Financial Assets			
Cash		\$ 397,443	\$ 79,851
Long-term disposal of waste fund		48,026	42,983
Investments held in trust		60,565	56,200
Trade and other receivables	3	36,193	94,041
Appropriations receivable	9	-	100,050
Inventories held for resale		135,816	150,538
		678,043	523,663
Liabilities			
Accounts payable and accrued liabilities	4	27,763	35,215
Employee future benefits	5	17,250	18,261
Due to Canadian Nuclear Laboratories		164,383	164,234
Deferred funding	9	234,700	-
Decommissioning and waste management provision	6	7,276,244	7,184,910
Contaminated sites liability	7	812,214	877,196
		8,532,554	8,279,816
Net Debt		(7,854,511)	(7,756,153)
Non-Financial Assets			
Tangible capital assets	8	757,743	716,032
Prepaid expenses		-	452
		757,743	716,484
Accumulated Deficit		(7,096,768)	(7,039,669)
Accumulated deficit is comprised of:			
Accumulated operating deficit		(7,101,424)	(7,041,470)
Accumulated remeasurement gains		4,656	1,801
		\$ (7,096,768)	\$ (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		Nine Months Ended	
		Budget	December 31	December 31	December 31	December 31
<i>(thousands of Canadian dollars)</i>			2020	2019	2020	2019
Revenues						
Parliamentary appropriations	9	\$ 1,008,603	\$ 211,640	\$ 197,400	\$ 583,440	\$ 539,690
Commercial revenue		77,800	25,115	24,581	69,346	84,232
Interest income		4,000	1,076	1,653	2,929	4,486
		1,090,403	237,831	223,634	655,715	628,408
Expenses						
Cost of sales		54,460	15,873	16,033	49,029	58,450
Operating expenses		65,176	16,851	17,321	50,167	52,977
Contractual expenses	10	252,014	38,594	53,289	159,123	188,052
Decommissioning, waste management and contaminated sites expenses		289,133	291,099	66,222	457,350	518,130
		660,783	362,417	152,865	715,669	817,609
Surplus (deficit) for the period		429,620	(124,586)	70,769	(59,954)	(189,201)
Accumulated operating deficit, beginning of period		(7,041,470)	(6,976,838)	(6,982,142)	(7,041,470)	(6,722,172)
Accumulated operating deficit, end of period		\$ (6,611,850)	\$ (7,101,424)	\$ (6,911,373)	\$ (7,101,424)	\$ (6,911,373)

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

Statement of Remeasurement Gains and Losses

	Nine Months Ended December 31	
<i>(thousands of Canadian dollars)</i>	2020	2019
Accumulated remeasurement gains, beginning of period	\$ 1,801	\$ 887
Remeasurement gains arising during the period		
Unrealized gains on Investments held in trust	3,274	21
Reclassifications to the Statement of Operations and Accumulated Deficit		
Realized (gains) losses on Investments held in trust	(419)	81
Net remeasurement gains for the period	2,855	102
Accumulated remeasurement gains, end of period	\$ 4,656	\$ 989

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

Statement of Change in Net Debt

<i>(thousands of Canadian dollars)</i>	Notes	Nine Months Ended		
		2021 Budget	December 31 2020	December 31 2019
Surplus (deficit) for the period		\$ 429,620	\$ (59,954)	\$ (189,201)
Tangible capital assets				
Acquisition of tangible capital assets	8	(112,990)	(76,957)	(71,908)
Amortization of tangible capital assets	8	48,076	35,243	36,831
Other changes	8	-	3	108
		(64,914)	(41,711)	(34,969)
Non-financial assets				
Changes in prepaid expenses		-	452	464
Net remeasurement gains for the period		-	2,855	102
Decrease (increase) in net debt		364,706	(98,358)	(223,604)
Net debt, beginning of period		(7,756,153)	(7,756,153)	(7,386,752)
Net debt, end of period		\$ (7,391,447)	\$ (7,854,511)	\$ (7,610,356)

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>	2020	2019
Operating transactions		
Cash receipts from Parliamentary appropriations	\$ 918,190	\$ 608,966
Cash receipts from customers and other sources	127,262	87,786
Cash paid to suppliers	(197,393)	(204,401)
Cash paid to employees	(8,956)	(8,452)
Cash paid for decommissioning, waste management and contaminated sites activities	(431,543)	(388,304)
Cash invested for waste management and disposal activities	(4,788)	(10,699)
Interest received	1,472	2,821
Cash provided by operating transactions	404,244	87,717
Capital transactions		
Acquisition of tangible capital assets	(86,652)	(69,264)
Cash applied to capital transactions	(86,652)	(69,264)
Increase in cash	317,592	18,453
Cash, beginning of period	79,851	61,833
Cash, end of period	\$ 397,443	\$ 80,286

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

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended December 31, 2021

(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

	December 31	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Trade receivables	\$ 7,081	\$ 20,486
Unbilled revenue	18,917	12,267
Consumption taxes receivable	10,195	11,288
Other proceeds	-	50,000
	\$ 36,193	\$ 94,041

Other proceeds relate to a commercial settlement.

4. Accounts Payable and Accrued Liabilities

	December 31	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Trade payables	\$ 659	\$ 5,965
Other payables and accrued expenses	19,643	21,857
Provisions	5,500	5,500
Customer advances and obligations	1,961	1,893
	\$ 27,763	\$ 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		Nine Months Ended	
	December 31		December 31	
<i>(thousands of Canadian dollars)</i>	2020	2019	2020	2019
Payments by employees	\$ 189	\$ 158	\$ 606	\$ 585
Payments by employer	308	232	1,116	1,104

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 \$6.6 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.

	Nine Months Ended	Year Ended
	December 31	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Carrying amount - Beginning of period	\$ 7,184,910	\$ 6,613,955
Liabilities settled	(320,393)	(385,364)
Unwinding of discount	203,518	254,162
Revision in estimate and timing of expenditures	203,421	690,999
Future disposal costs for waste from ongoing operations	4,788	11,158
Carrying amount - End of period	\$ 7,276,244	\$ 7,184,910

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$16,098.3 million (March 31, 2020: \$16,263.3 million).

The provision was discounted using a rate of 3.78% as at December 31, 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.

	Nine Months Ended	Year Ended
	December 31	March 31
<i>(thousands of Canadian dollars)</i>	2020	2020
Carrying amount - Beginning of period	\$ 877,196	\$ 1,054,978
Liabilities settled	(115,393)	(187,502)
Unwinding of discount	13,146	22,723
Revision in estimate and timing of expenditures	37,265	(13,003)
Carrying amount - End of period	\$ 812,214	\$ 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 \$881.9 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	76,957	-	-	7,230	84,187
Disposals and transfers	(7,230)	-	(6)	(2,968)	(10,204)
Cost at December 31, 2020	210,899	139,107	510,138	490,604	1,350,748
Accumulated amortization at March 31, 2020	-	46,973	222,370	291,390	560,733
Increase in amortization	-	4,214	10,387	20,642	35,243
Disposals and transfers	-	-	(6)	(2,965)	(2,971)
Accumulated amortization at December 31, 2020	-	51,187	232,751	309,067	593,005
Net carrying amount at March 31, 2020	141,172	92,134	287,774	194,952	716,032
Net carrying amount at December 31, 2020	\$ 210,899	\$ 87,920	\$ 277,387	\$ 181,537	\$ 757,743

9. Parliamentary Appropriations

	Three Months Ended December 31		Nine Months Ended December 31	
(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	\$ 446,340	\$ 197,400	\$ 918,190	\$ 608,966
Amount receivable from a previous period	-	-	(100,050)	(69,276)
Amount received related to the next period (Deferred funding)	(234,700)	-	(234,700)	-
Total Parliamentary appropriations recognized	\$ 211,640	\$ 197,400	\$ 583,440	\$ 539,690

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 \$1,009 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>	2020	2019	2020	2019
Contractual amounts paid or payable	\$ 239,044	\$ 245,057	\$ 703,636	\$ 693,666
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(159,982)	(150,675)	(433,807)	(397,078)
Less: Costs charged to Construction in progress	(29,570)	(29,395)	(76,957)	(71,908)
Less: Costs classified as Cost of sales	(10,898)	(11,698)	(33,749)	(36,628)
Contractual expenses	\$ 38,594	\$ 53,289	\$ 159,123	\$ 188,052

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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