



**ATOMIC ENERGY OF CANADA LIMITED**

# **First Quarter Financial Report**

**Financial Statements (Unaudited)**

**As at and for the three months ended  
June 30, 2021**

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## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



The third wave of the COVID-19 pandemic, which was underway during the first quarter of this fiscal year, continued to present us with challenges. We responded to public health guidance and reduced the level of activities at our sites, which has impacted how we work and how we deliver important projects for Canadians. More than a year into the pandemic, I remain impressed with our team and their ability to adapt to an ever-evolving environment. Across the organization and with our contractor, Canadian Nuclear Laboratories (CNL), I have seen firsthand how the AECL and CNL staff have used their experience and expertise, alongside scientists and innovators in Canada and around the world, to contribute greatly to Canada's pandemic relief and response. This was certainly no small feat, and we should be proud of the work that was done for the health and safety of Canadians, all while delivering on our mandate to enable nuclear science and technology and protect the environment.

AECL and CNL are currently looking towards long-term opportunities with the hope of bringing yet more positive outcomes for the country. Work to advance research in the areas of small modular reactors (SMRs), hydrogen, border safety and cancer research, have placed us at the forefront of key initiatives to help Canada tackle important issues such as security, health, and climate change. Addressing the needs associated with climate change is especially critical as we move forward given Canada's goals to reach net zero by 2050, as well as the recently announced 40-45% reduction in greenhouse gas emissions below 2005 levels by 2030.

Developing SMR technology could mean new options to replace coal, green mining, and improved energy security for remote communities, where consistent, reliable, and low carbon energy is needed. With the Canadian Nuclear Safety Commission's recent announcement that Global First Power's application for a *Licence to Prepare Site* for an SMR project at the Chalk River Laboratories has completed preliminary evaluations and is now moving on to a formal licence review, we are one step closer to bringing this next generation of nuclear reactors to fruition in Canada.

With respect to the Government-owned, Contractor-operated model, we have continued to make progress in advancing environmental remediation, the revitalization of the Chalk River site and moving science and innovation forward. Work to transform the Chalk River Laboratories into a world-class nuclear science and technology campus continues. Of particular note this quarter, the site support and maintenance building became fully operational. This facility consolidates a number of smaller buildings into a single, modern location to increase efficiency and allow for older buildings to be decommissioned.

Momentum on the science and technology front continued to build during this quarter. Several agreements were signed to advance priorities under AECL's Federal Nuclear Science and Technology Work Plan, including a memorandum of understanding with the Canadian Coast Guard for a feasibility study to examine reducing greenhouse gas emissions in the Canadian maritime industry. CNL also

successfully fabricated Fully Ceramic Microencapsulated fuel pellets, an advanced and proprietary reactor fuel designed by Ultra Safe Nuclear Corporation for their Micro Modular Reactor – work that is funded through CNL’s Canadian Nuclear Research Initiative.

CNL also continued to advance environmental remediation, notably through the decommissioning of outdated and contaminated buildings. At the Chalk River Laboratories, CNL started decommissioning work on the 100<sup>th</sup> structure since the implementation of the Government-owned, Contractor-operated model in 2015.

Finally, an important milestone was reached during the quarter with CNL submitting the final Environmental Impact Statement for the proposed Near Surface Disposal Facility. This facility is key to enabling us to remediate large-scale soil contamination at the Chalk River site and safely place low-level radioactive waste that has been accumulated in storage for decades at the site. We recognize that the project is raising questions, and are committed to working with local communities, Indigenous communities, and the public to hear concerns and respond as needed.

As these lines were written the COVID-19 pandemic seemed to be lifting, at least in Canada. Given all that we have accomplished in the last 15 months of uncertainty, I remain optimistic that we can continue to do great things as we head towards the ‘new normal’.

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 first quarter of 2021-22 and accompanying notes. Management's Narrative Discussion should therefore be read in conjunction with this document.

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

Management's Narrative Discussion was authorized for issuance by the Board of Directors on August 18, 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's small expert-based organization brings value to Canada by setting priorities for CNL and 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 and assesses CNL's performance 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.

The two main areas of focus for activities are:

## 1. Environmental Stewardship

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

### Sites under the responsibility of AECL across Canada



## 2. Nuclear Laboratories

The Chalk River Laboratories are Canada's largest science and technology complex and host to more than 2,800 CNL employees, including a large number of engineers, scientists and technical staff. The work undertaken at the laboratories supports Canada's federal roles, responsibilities and priorities in the areas of health, energy and climate change, the environment, safety and security. Services are also provided to industry and other third parties on a commercial basis. The Chalk River site is currently undergoing an important renewal that is transforming the site into a modern, world-class nuclear science and technology campus, thanks to an investment of \$1.2 billion over ten years by the federal government, beginning in 2016.

## First Quarter Highlights for 2021-22

The first quarter of 2021-22 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.

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 made important contributions locally through the donation of personal protective equipment and support to local hospitals and health authorities by providing initial vaccine storage for the County of Renfrew and District Health Unit, supporting vaccination clinics in the Chalk River area, and providing specialized trailers for COVID-19 testing and flu shot clinics to the Deep River Hospital and the North Renfrew County Long Term Care Facility.

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

### **Environmental Stewardship**

AECL has been conducting nuclear science and technology activities for decades. While these activities have had important benefits for Canada and Canadians – for example the production of medical isotopes used in the detection and treatment of cancer – they also produced radioactive waste. AECL has various types of radioactive waste at its sites, including high-level waste (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](http://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 just under 100 buildings having been decommissioned since 2015. Notably, the demolition of the 100<sup>th</sup> building at the Chalk River site is underway. 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 first quarter of 2021-22 is presented below.

In Manitoba, work continued to decommission the **Whiteshell site**, which was previously an active nuclear research laboratory, despite a reduction of staff on site due to COVID-19. 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 communities to discuss the project and preparing documentation for eventual submission to the regulator.

CNL also advanced work to decommission most of the buildings on the main campus by 2022. The decommissioning of the former liquid treatment centre is near completion, with another series of buildings having been safely de-energized, with demolition expected this fall. 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).

At the **Chalk River site** in Ontario, despite onsite staff restrictions due to the pandemic, CNL continued with their effort to decommission 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 May, CNL submitted a final version of the Environmental Impact Statement to the Canadian Nuclear Safety Commission, which paves the way for the project to proceed to public regulatory hearings, expected to take place in 2022.

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 first quarter continued to focus on responding to questions from, and engaging with, Indigenous communities on the proposal. CNL is planning to submit an updated draft of the Environmental Impact Statement to the Canadian Nuclear Safety Commission in 2021.

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. That said, similar to other sites, the COVID-19 pandemic has had impacts on activities, creating delays to construction and remediation work.

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.

## **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, counterterrorism, 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 over the next few years, 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.

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

- AECL signed a memorandum of understanding with the Department of National Defence for cooperation concerning research and development activities in the areas of clean energy, safety and security, and the environment.
- AECL also signed a memorandum of understanding with the Canadian Coast Guard to undertake the second phase of a feasibility study to examine reducing greenhouse gas emissions in the Canadian maritime industry.
- CNL successfully fabricated Fully Ceramic Microencapsulated fuel pellets, an advanced and proprietary reactor fuel designed by Ultra Safe Nuclear Corporation for their Micro Modular Reactor. This work was funded through CNL's Canadian Nuclear Research Initiative and represents the first time that Tristructural-Isotropic (TRISO) based fuel has been manufactured in Canada.
- Activities to advance SMRs continued to progress this quarter. In May, the Canadian Nuclear Safety Commission announced that Global First Power's application for a Licence to Prepare Site for an SMR project at the Chalk River Laboratories has completed preliminary evaluations and is now moving on to formal licence review.
- In support of the Chalk River site revitalization, construction activities on new buildings continued during the first 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.
  - The new support and maintenance building became fully operational this quarter. 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 Science Collaboration Centre, also progressed with further planning and construction work. This included the pouring of concrete for the core walls, and utilities starting to be installed. Scheduled for completion in the spring of 2023, the new Science Collaboration Centre will serve as the central planning and collaboration space for CNL's science and technology programs.
  - 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.
- Finally, CNL completed its first Sustainability Report this quarter. In pursuit of more sustainable operations and with the goal of demonstrating alignment with AECL's sustainability objectives, CNL has identified 14 focus areas of environmental leadership, governance and social responsibility.

## Forward-Looking Statements

This Management's Narrative Discussion has been reviewed by AECL's Audit Committee and approved by AECL's Board of Directors. It provides comments on the performance of AECL for the three months ended June 30, 2021, 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 2020 at all AECL sites. Only work required for the safety and security of the site and critical work supporting other essential services was continued, with proper health and safety measures in place to protect employees.

The ongoing pandemic presents risks to the safety and security of personnel and the sites, as well as risk of financial impacts to AECL and CNL. To mitigate the safety and security risks, AECL and CNL 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 the financial impacts of COVID-19, including near-term impacts to revenue and cash flow in 2021-22, 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, several 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 opportunities arise. A succession plan is in place and is reviewed regularly. Furthermore, 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, 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 incentivize and oversee 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. More recently, this has been further compounded by the cost pressures created by the COVID-19 pandemic. While CNL continues to make progress 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, while remaining protective of the environment and health and safety.

**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:** Indigenous reconciliation continues to be a priority for AECL. There are increasing needs for support for capacity to engage, Traditional Knowledge studies, and participation in formal regulatory processes, as well as environmental monitoring operations. 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. 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

<i>(\$ millions)</i>	Three Months Ended	
	2021	June 30 2020
<b>Revenues</b>		
Parliamentary appropriations	\$ 182	\$ 165
Commercial revenue	27	19
Interest income	1	1
Other proceeds	7	-
	<b>217</b>	<b>185</b>
<b>Expenses</b>		
Cost of sales	19	15
Operating expenses	17	17
Contractual expenses	57	52
Decommissioning, waste management and contaminated sites expenses	74	72
	<b>167</b>	<b>156</b>
<b>Surplus for the period</b>	<b>\$ 50</b>	<b>\$ 29</b>

## **Parliamentary Appropriations**

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$182 million of Parliamentary appropriations in the first quarter of 2021-22, compared to \$165 million for the same period in 2020-21. The variance from the prior year is primarily related to an increase in funding required to execute decommissioning, remediation, and waste management activities, as planned.

## **Commercial Revenue**

In the first quarter of 2021-22, \$27 million in revenue was recognized, compared to \$19 million for the same period in 2020-21. Revenue included technology sales and research and development activities performed by CNL for commercial customers, as well as heavy water sales. The increase in commercial revenue is a result of the COVID-19 pandemic and the related reduced level of activity in the prior period.

## **Interest Income**

Interest income is earned on cash, short-term investments from appropriations and investments held in trust. Interest income earned is comparable to the same period in 2020-21.

## **Other Proceeds**

Other proceeds relate to a commercial settlement recorded during the first quarter.

## **Cost of Sales**

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

## **Operating Expenses**

Operating expenses are largely comprised of AECL's oversight expenses and amortization of tangible capital assets. Operating expenses in the first quarter of \$17 million are comparable to that of the same period in 2020-21.

## **Contractual Expenses**

AECL delivers its mandate through a long-term contract with CNL for the management and operation of its sites. CNL expenditures (excluding costs charged to the Decommissioning and waste management provision and Contaminated sites liability, Construction in progress and Cost of sales) are reported by AECL as Contractual expenses. Expenses in this category for the first quarter total \$57 million,

compared to \$52 million in the first quarter of 2020-21. The variance in the quarter is largely a result of increased spending on science and technology activities.

### **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 first quarter of 2021-22 of \$74 million are comparable to that of the same period in 2020-21 and consist largely of financial expenses.

### **Surplus 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 2021-22 year-to-date results 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 three months of 2021-22.

## **Cash Flow and Working Capital**

<i>(\$ millions)</i>	<b>Three Months Ended</b>	
	<b>2021</b>	<b>June 30 2020</b>
Cash provided by operating transactions	\$ 285	\$ 104
Cash applied to capital transactions	(24)	(32)
Increase in cash	261	72
Balance at beginning of the period	159	80
<b>Balance at end of the period</b>	<b>\$ 420</b>	<b>\$ 152</b>



## Operating Transactions

Operating transactions generated a net cash inflow of \$285 million in the first quarter of 2021-22, compared to an inflow of \$104 million during the same period of the previous year. The variance is a result of Parliamentary appropriations received in the first quarter of 2021-22 for second quarter activities. In the prior year, the second quarter funding was not received before the end of the first quarter. Refer to Note 9 of the unaudited financial statements for a reporting on how appropriations were received and recognized.

## Capital Transactions

Capital transactions used cash in the first quarter of 2021-22 of \$24 million compared to \$32 million in the same period in the previous year. The variance is a result of increased spending in the prior year toward newly built Chalk River site infrastructure.

## Highlights of the Statement of Financial Position

	June 30	March 31	Variance	Variance
<i>(\$ millions)</i>	2021	2021	In \$	By %
Financial Assets	\$ 703	\$ 561	\$ 142	25%
Liabilities	8,478	8,381	97	1%
Non-Financial Assets	792	787	5	1%
Accumulated Deficit	(6,983)	(7,033)	50	-1%

AECL closed the first quarter of 2021-22 with Financial Assets of \$703 million, which represents a \$142 million increase from March 31, 2021. This variance is mainly the result of an increase in cash related to \$212 million of funding for the second quarter of the current year received before the end of the first quarter, partly offset by a \$123 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 \$97 million can be attributed primarily to the \$212 million increase in deferred funding for the second quarter, partly offset by a decrease in the Decommissioning and waste management provision and Contaminated sites liability as a result of spending on decommissioning activities, as well as reductions in amounts accrued from year-end paid down in the first quarter of 2021-22.

## 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*

August 18, 2021

Chalk River, Canada



**David J. Smith**

*Chief Financial Officer*

August 18, 2021

Chalk River, Canada

# UNAUDITED FINANCIAL STATEMENTS

## Statement of Financial Position

As at

<i>(thousands of Canadian dollars)</i>	Notes	June 30 2021	March 31 2021
<b>Financial Assets</b>			
Cash		\$ 420,786	\$ 159,157
Long-term disposal of waste fund		45,879	48,030
Investments held in trust		59,147	58,315
Trade and other receivables	3	53,259	43,342
Appropriations receivable	9	-	122,601
Inventories held for resale		123,671	129,239
		<b>702,742</b>	560,684
<b>Liabilities</b>			
Accounts payable and accrued liabilities	4	16,111	37,029
Employee future benefits	5	15,993	16,211
Due to Canadian Nuclear Laboratories		161,940	175,620
Deferred funding	9	211,900	-
Decommissioning and waste management provision	6	7,325,021	7,362,192
Contaminated sites liability	7	746,601	790,190
		<b>8,477,566</b>	8,381,242
<b>Net Debt</b>		<b>(7,774,824)</b>	(7,820,558)
<b>Non-Financial Assets</b>			
Tangible capital assets	8	791,313	786,819
Prepaid expenses		833	444
		<b>792,146</b>	787,263
<b>Accumulated Deficit</b>		<b>(6,982,678)</b>	(7,033,295)
Accumulated deficit is comprised of:			
Accumulated operating deficit		(6,984,545)	(7,034,916)
Accumulated remeasurement gains		1,867	1,621
		<b>\$ (6,982,678)</b>	\$ (7,033,295)

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

## Statement of Operations and Accumulated Deficit

<i>(thousands of Canadian dollars)</i>	Notes	2022	Three Months Ended	
		Budget	2021	June 30 2020
<b>Revenues</b>				
Parliamentary appropriations	9	\$ 1,188,800	\$ <b>182,049</b>	\$ 165,100
Commercial revenue		91,000	<b>27,183</b>	19,554
Interest income		4,000	<b>946</b>	1,060
Other proceeds		-	<b>6,750</b>	-
		1,283,800	<b>216,928</b>	185,714
<b>Expenses</b>				
Cost of sales		63,700	<b>18,917</b>	15,268
Operating expenses		63,643	<b>17,433</b>	17,000
Contractual expenses	10	248,785	<b>56,593</b>	52,222
Decommissioning, waste management and contaminated sites expenses		277,708	<b>73,614</b>	72,221
		653,836	<b>166,557</b>	156,711
<b>Surplus for the period</b>		629,964	<b>50,371</b>	29,003
<b>Accumulated operating deficit, beginning of period</b>		(7,034,916)	<b>(7,034,916)</b>	(7,041,470)
<b>Accumulated operating deficit, end of period</b>		\$ (6,404,952)	<b>\$ (6,984,545)</b>	\$ (7,012,467)

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

## Statement of Remeasurement Gains and Losses

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2021	2020
<b>Accumulated remeasurement gains, beginning of period</b>	\$ 1,621	\$ 1,801
<b>Remeasurement gains arising during the period</b>		
Unrealized gains on Investments held in trust	435	2,642
<b>Reclassifications to the Statement of Operations and Accumulated Deficit</b>		
Realized gains on Investments held in trust	(189)	-
<b>Net remeasurement gains for the period</b>	<b>246</b>	<b>2,642</b>
<b>Accumulated remeasurement gains, end of period</b>	<b>\$ 1,867</b>	<b>\$ 4,443</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	2022	Three Months Ended	
		Budget	2021	June 30 2020
<b>Surplus for the period</b>		\$ 629,964	\$ 50,371	\$ 29,003
<b>Tangible capital assets</b>				
Acquisition of tangible capital assets	8	(151,846)	(16,815)	(18,160)
Amortization of tangible capital assets	8	45,233	12,316	11,598
Other changes	8	-	5	1
		(106,613)	(4,494)	(6,561)
<b>Non-financial assets</b>				
Changes in prepaid expenses		-	(389)	(507)
<b>Net remeasurement gains for the period</b>		-	246	2,642
<b>Decrease in net debt</b>		523,351	45,734	24,577
<b>Net debt, beginning of period</b>		(7,820,558)	(7,820,558)	(7,756,153)
<b>Net debt, end of period</b>		\$ (7,297,207)	\$ (7,774,824)	\$ (7,731,576)

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

## Statement of Cash Flows

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2021	2020
<b>Operating transactions</b>		
Cash receipts from Parliamentary appropriations	\$ 516,550	\$ 265,150
Cash receipts from customers and other sources	28,390	75,877
Cash paid to suppliers	(101,122)	(106,373)
Cash paid to employees	(4,310)	(3,821)
Cash paid for decommissioning, waste management and contaminated sites activities	(154,374)	(126,893)
Cash invested for future waste management and disposal activities	(365)	(118)
Interest received	411	476
<b>Cash provided by operating transactions</b>	<b>285,180</b>	<b>104,298</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(23,551)	(32,422)
<b>Cash applied to capital transactions</b>	<b>(23,551)</b>	<b>(32,422)</b>
<b>Increase in cash</b>	<b>261,629</b>	<b>71,876</b>
<b>Cash, beginning of period</b>	<b>159,157</b>	<b>79,851</b>
<b>Cash, end of period</b>	<b>\$ 420,786</b>	<b>\$ 151,727</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## For the three months ended June 30, 2021

(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 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's 2021-22 to 2025-26 Corporate Plan received Treasury Board approval in the first quarter of the 2021-22 fiscal year. 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, 2021. The accounting policies used in these statements are consistent with those disclosed in the most recent annual audited financial statements dated March 31, 2021.

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.

AECL has considered the impact of the COVID-19 pandemic on the valuation of its assets and has determined that no impairments are required. AECL has also considered the impact of the pandemic on the valuation of its Decommissioning and waste management provision and Contaminated sites liability, and where impacts were known, changes to the provision have been made.

### *Budget Figures*

The 2021-22 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 2021-22 projections and estimates contained within the 2021-22 to 2025-26 Corporate Plan. The expected impact of the COVID-19 pandemic on AECL's results has been reflected in the 2021-22 budget figures.

### 3. Trade and Other Receivables

	June 30	March 31
<i>(thousands of Canadian dollars)</i>	<b>2021</b>	2021
Trade receivables	\$ 19,055	\$ 11,480
Unbilled revenue	14,115	18,026
Consumption taxes receivable	13,339	13,836
Other proceeds	6,750	-
	<b>\$ 53,259</b>	<b>\$ 43,342</b>

Other proceeds relate to a commercial settlement.

### 4. Accounts Payable and Accrued Liabilities

	June 30	March 31
<i>(thousands of Canadian dollars)</i>	<b>2021</b>	2021
Trade payables	\$ 1,769	\$ 4,642
Other payables and accrued expenses	3,259	21,830
Accrued payroll liabilities	799	2,002
Amounts due to related parties	204	234
Provisions	5,704	5,704
Customer advances and obligations	4,376	2,617
	<b>\$ 16,111</b>	<b>\$ 37,029</b>

### 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:

<i>(thousands of Canadian dollars)</i>	<b>Three Months Ended</b>	
	<b>2021</b>	<b>June 30</b> 2020
Payments by employees	\$ 262	\$ 227
Payments by employer	569	524

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(g) of the annual audited financial statements dated March 31, 2021. 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 \$6.1 million (March 31, 2021: \$6.1 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.

	<b>Three Months Ended</b>	Year Ended
	<b>June 30</b>	March 31
<i>(thousands of Canadian dollars)</i>	<b>2021</b>	2021
<b>Carrying amount - Beginning of period</b>	<b>\$ 7,362,192</b>	\$ 7,184,910
Liabilities settled	<b>(107,386)</b>	(432,194)
Unwinding of discount	<b>69,850</b>	271,357
Revision in estimate and timing of expenditures	-	335,037
Estimates affecting Property, plant and equipment and future disposal costs for waste from ongoing operations	<b>365</b>	3,082
<b>Carrying amount - End of period</b>	<b>\$ 7,325,021</b>	\$ 7,362,192

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$15,965.6 million (March 31, 2021: \$16,073.0 million).

The provision was discounted using a rate of 3.80% as at June 30, 2021 and March 31, 2021.

## 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.

	<b>Three Months Ended</b>	Year Ended
	<b>June 30</b>	March 31
<i>(thousands of Canadian dollars)</i>	<b>2021</b>	2021
<b>Carrying amount - Beginning of period</b>	<b>\$ 790,190</b>	\$ 877,196
Liabilities settled	<b>(47,353)</b>	(158,557)
Unwinding of discount	<b>3,764</b>	17,528
Revision in estimate and timing of expenditures	-	54,023
<b>Carrying amount - End of period</b>	<b>\$ 746,601</b>	\$ 790,190

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 1.91%. The estimated total undiscounted expenditures are \$813.5 million (March 31, 2021: \$860.9 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, 2021</b>	\$ 182,064	\$ 145,586	\$ 545,437	\$ 502,368	\$ 1,375,455
Additions and transfers	16,815	1,476	42,884	3,847	65,022
Disposals and transfers	(48,207)	-	(26)	(2,758)	(50,991)
<b>Cost at June 30, 2021</b>	<b>150,672</b>	<b>147,062</b>	<b>588,295</b>	<b>503,457</b>	<b>1,389,486</b>
<b>Accumulated amortization at March 31, 2021</b>	-	<b>52,558</b>	<b>235,210</b>	<b>300,868</b>	<b>588,636</b>
Increase in amortization	-	1,413	3,842	7,061	12,316
Disposals and transfers	-	-	(21)	(2,758)	(2,779)
<b>Accumulated amortization at June 30, 2021</b>	-	<b>53,971</b>	<b>239,031</b>	<b>305,171</b>	<b>598,173</b>
<b>Net carrying amount at March 31, 2021</b>	<b>182,064</b>	<b>93,028</b>	<b>310,227</b>	<b>201,500</b>	<b>786,819</b>
<b>Net carrying amount at June 30, 2021</b>	<b>\$ 150,672</b>	<b>\$ 93,091</b>	<b>\$ 349,264</b>	<b>\$ 198,286</b>	<b>\$ 791,313</b>

## 9. Parliamentary Appropriations

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2021	2020
<b>Parliamentary appropriations for operating, capital and statutory expenditures</b>		
Amount received during the period for operating, capital and statutory expenditures	\$ 516,550	\$ 265,150
Amount receivable from a previous period	(122,601)	(100,050)
Amount received related to the next period (Deferred funding)	(211,900)	-
<b>Total Parliamentary appropriations recognized</b>	<b>\$ 182,049</b>	<b>\$ 165,100</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, 2022 total \$1,189 million.

## 10. Contractual Arrangement

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

The following contractual expenses were incurred:

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2021	2020
<b>Contractual amounts paid or payable</b>	<b>\$ 240,620</b>	<b>\$ 206,605</b>
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(154,067)	(126,164)
Less: Costs charged to Construction in progress	(16,815)	(18,160)
Less: Costs classified as Cost of sales	(13,145)	(10,059)
<b>Contractual expenses</b>	<b>\$ 56,593</b>	<b>\$ 52,222</b>

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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