



ATOMIC ENERGY OF CANADA LIMITED

First Quarter Financial Report

Financial Statements (Unaudited)

**As at and for the three months ended
June 30, 2025**

TABLE OF CONTENTS

MANAGEMENT’S NARRATIVE DISCUSSION	3
<i>Introduction</i>	<i>3</i>
<i>Our Business.....</i>	<i>3</i>
<i>First Quarter Highlights for 2025-26.....</i>	<i>4</i>
FORWARD-LOOKING STATEMENTS	6
MANAGEMENT OF RISKS AND UNCERTAINTIES	6
FINANCIAL REVIEW	8
CASH FLOW AND WORKING CAPITAL.....	10
HIGHLIGHTS OF THE STATEMENT OF FINANCIAL POSITION.....	11
USE OF PARLIAMENTARY APPROPRIATIONS.....	12
MANAGEMENT’S RESPONSIBILITY	13
UNAUDITED FINANCIAL STATEMENTS.....	14

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.

All financial information presented, including tabular amounts, is in Canadian dollars and is prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). Management's Narrative Discussion should be read in conjunction with the unaudited financial statements.

Management's Narrative Discussion was authorized for issuance by the Board of Directors on August 20, 2025.

Our Business

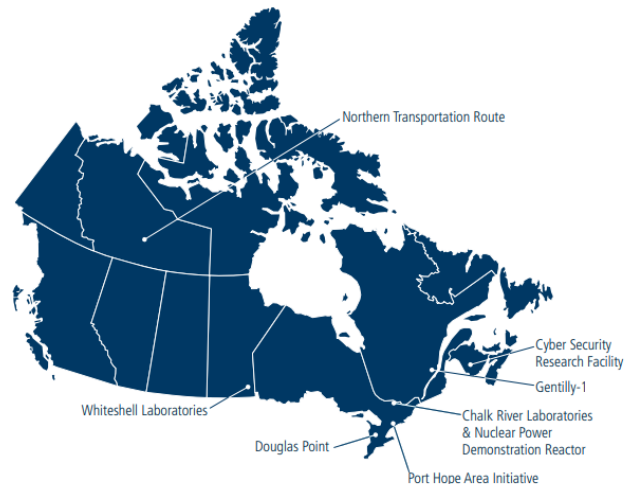
As a federal Crown corporation, Atomic Energy of Canada Limited (AECL) is working to advance Canada's interests through leading edge nuclear science and technology initiatives and protection of the environment. This includes combating climate change through clean energy growth and decarbonization strategies, advancing the battle against cancer and other diseases by pioneering new treatment methods, and accelerating Canada's environmental remediation responsibilities related to past nuclear science activities. AECL receives funding from the Government of Canada to enable nuclear science and technology and manage the Government of Canada's radioactive waste liabilities. Since 2015, AECL has been delivering its mandate through a Government-owned, Contractor-operated (GoCo) model, whereby a private-sector organization of approximately 4,000 employees, Canadian Nuclear Laboratories (CNL), is responsible for managing and operating AECL's sites on its behalf.

Under the GoCo model, AECL retains ownership of the sites, facilities, intellectual property, and liabilities. CNL manages AECL's sites and facilities under contract with AECL. The GoCo model allows AECL to leverage private-sector expertise and experience to accelerate the decommissioning and environmental stewardship program and deliver world-class nuclear science and technology. Furthermore, AECL supports the Government's development of nuclear policy. These are the main areas of focus:

Nuclear Innovation

AECL is enabling the development of new technologies to advance small modular reactors (SMRs), clean hydrogen and fusion all with a view to building on the success of the CANDU® reactor technology and its already realized and potentially enhanced contributions to climate objectives, energy security and jobs.

AECL is committed to working with the federal government, provincial governments and the Canadian nuclear sector to identify and assess opportunities for impactful nuclear technologies in Canada and internationally. This will include efforts to facilitate enhanced CANDU® designs to optimize Canada's CANDU® technology for today's and tomorrow's energy needs, provide energy security for Canadians and secure potential revenue opportunities for Canada as well as Canada's CANDU® supply chain.



Environmental Stewardship

AECL is responsible for safely remediating nuclear waste on behalf of the Government. Responsible decommissioning and radioactive waste management is necessary to clean up AECL's sites, protect the environment, and make way for new buildings that will support the ongoing nuclear science and technology mission at the Chalk River site.

First Quarter Highlights for 2025-26

Below are some achievements from this quarter:

- AECL announced in June that **National Laboratory Partners of Canada Inc. (NLPC) had been selected as the preferred bidder for the contract to manage CNL under a Government-owned Contractor-operated arrangement.** Nuclear Laboratory Partners of Canada Inc. is a partnership with three primary joint venture partners, BWXT Government Group, Inc., Amentum Environment & Energy, Inc., and Kinectrics Inc., with Battelle Memorial Institute included as key subcontractor. This followed a rigorous procurement process, launched in 2023, which included a pre-qualification phase (where interested bidders were evaluated against mandatory technical criteria, financial capability requirements, security requirements, and integrity criteria) and a Request for Proposals issued to qualified bidders, with a rigorous and thorough evaluation against technical and financial criteria. An external Fairness Monitor was also present throughout the process, and concluded that the competitive selection process was carried out in a fair, open and transparent manner. NLPC will assume responsibility for the management of CNL in the fall, following a transition period to allow for knowledge transfer and contract closing activities. This change in management will not affect ongoing work, projects and priorities of CNL, as CNL's missions and mandate are not changing, and it continues to be responsible for operating AECL's sites and assets.
- The **Gentilly-1 Fuel Consolidation project was safely and successfully completed.** The project involved the secure transfer of all used nuclear fuel from the Gentilly-1 Facility site in Québec to the Chalk River Laboratories. CNL safely removed the used fuel from the site, which will enable

the next steps in its decommissioning and remediation. Prior to commencing the work, CNL shared information about the robust safety, security and emergency preparedness measures in place with federal, provincial and regional stakeholders, and with Indigenous Nations, communities and organizations. The transfer was completed ahead of schedule.

- As per a Federal Court ruling, the **Canadian Nuclear Safety Commission has re-launched consultation with the Kebaowek First Nation on the proposed Near Surface Disposal Facility (NSDF) at the Chalk River Laboratories**. AECL and CNL are participating fully in this process, and hope that the planned consultation – to be concluded by September 2026 – will yield a constructive outcome that is in line with the United Nations Declaration on the Rights of Indigenous Peoples Act. While awaiting the outcome of additional legal and regulatory processes, AECL is developing contingency plans and CNL has reassigned workers to other projects. There will be no immediate impact to site operations and decommissioning progress, though the long-term future of environmental remediation at Chalk River depends on the NSDF as a solution for low-level radioactive waste.
- AECL has renewed its **agreement with France’s Commissariat à l’énergie atomique et aux énergies alternatives** for another three-year period in order to establish strategic collaboration in nuclear S&T, research facilities, radiological waste management, dismantling & decommissioning, and environmental remediation, and clean energy systems.
- AECL and CNL have joined Ontario Power Generation and Stellarex Group Ltd. through the signing of a Memorandum of Understanding that aims to create a **Centre of Excellence for Fusion Energy**. This collaboration seeks to enable a robust and integrated Canadian fusion ecosystem, develop advanced domestic fusion energy capabilities, and advance fusion energy research and development in Canada.
- AECL and CNL also signed a Memorandum of Understanding with the University Network of Excellence in Nuclear Engineering to pursue the development of the **Canadian Nuclear Learning Centre**. The vision of the centre is to coordinate education, training, knowledge management and workforce development across Canada’s growing nuclear sector. Central to the collaboration is advancing nuclear education to support workforce development priorities. Each organization will also look to leverage their long-term relationships with Canadian academic institutions to examine opportunities for joint project coordination.
- CNL and Isowater signed a **strategic partnership agreement to expand heavy water production**. The partnership will support the growth of Isowater’s deuterium oxide (heavy water) refinement business. With CNL’s support, Isowater will work to expand and improve its deuterium refining capabilities. This will enable the company to better serve various non-nuclear deuterium markets through the provision of deuterium production and recycling services, and a higher-purity end-product.
- CNL and the University of Ottawa announced a new **partnership to advance knowledge, education, research and innovation in low dose radiation exposure health effects**. The new partnership builds on CNL’s global leadership in low dose radiation research with the establishment of a CNL-led low dose radiation innovation hub, accelerating research critical to public safety and the health of Canadians. It will also serve to increase capabilities, education and training opportunities to graduate students and early career researchers.

- AECL continued to work with AtkinsRéalis on **updates to the Intellectual Property Licensing Agreement for the CANDU® Intellectual Property** (which is owned by Canada, managed by AECL, and licensed to AtkinsRéalis). These important negotiations are key to AECL supporting the government's climate, energy security, and decarbonization agenda.

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, 2025, and should be read in conjunction with the unaudited financial statements and accompanying notes.

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

Management of Risks and Uncertainties

AECL carefully anticipates and manages risks using sound practices. AECL's risk-management approach encompasses risks both to itself and to CNL's management and operation of AECL sites and facilities. This section highlights some of the risks to AECL and their potential to affect its financial results.

Re-procurement of the GoCo contract: AECL has launched a competitive procurement process to continue the management and operation of CNL beyond the current contract, which expires in September 2025. Risks being managed include delays to the process that would impact the timing of contract award, risks of a legal challenge to the procurement process, as well as negative impacts on current CNL operations (i.e. delays to existing projects, distracted workforce, etc.) as a new contractor was selected. To mitigate these, a dedicated team made up of some of AECL's most senior and experienced staff has been put in place to manage the procurement and associated contracting responsibilities, and to oversee all transition activities. The team is supported by external legal counsel and expert advisors.

Contractor performance: As AECL relies on a private-sector contractor to execute scope related to its mandate, an inherent internal risk is the inability of the contractor to consistently execute and perform based on agreed-upon plans. To mitigate this risk and drive the appropriate behavior, the contract with CNL is carefully structured to include several mechanisms for AECL to track CNL's performance. Key amongst these is a performance measurement plan, which is used by AECL to set priorities supported by achievable stretch targets in order to drive value for money for Canada. Ongoing evaluation of the

contractor against the plan throughout the year provides AECL the opportunity to highlight strengths and weaknesses and the contractor the opportunity to correct course where needed.

Costs to operate the Chalk River Laboratories: The shutdown of the National Research Universal reactor in 2018 has created cost and funding pressures. This is due to the combination of lost revenue from the activities of the reactor (including isotope sales), and diminished funding for the National Research Universal reactor and site operation costs that have not decreased to the same extent as declining funding and revenue. Key mitigation measures include working with CNL to look at all options for lowering costs and increasing revenues. This is actively being pursued and implemented to enable a sustainable and science-focused organization in the long-term, while protecting workers, the public, and the environment.

Human resources: AECL is a small organization that relies on a small complement of national and international experts, some 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 bring value 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 mitigate this risk, workforce and succession plans have been developed, and AECL regularly reviews its total compensation package to remain competitive amongst similar employers nationally and internationally. 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 opportunities arise.

Environmental Assessments: As part of AECL's environmental stewardship responsibilities, three projects are or were undergoing Environmental Assessments through the Canadian Nuclear Safety Commission:

- 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.
- In situ decommissioning of the Nuclear Power Demonstration facility in Rolphton, Ontario.

All three projects have faced significant delays, which are due to enhanced public and Indigenous engagement requirements, requests from the Canadian Nuclear Safety Commission (CNSC) to provide additional technical studies, and the COVID-19 pandemic which slowed work at its peak. As a result, additional time has been needed to prepare the safety case for each project, which includes: making adjustments based on feedback and comments received from the regulator, other government organizations, the public, and Indigenous Nations and communities; continuing engagement with key stakeholder and Indigenous Nations and communities; and, focusing communications activities with a view to increasing understanding of the rationale behind the projects – protection of the environment – as well as AECL's role specifically. Overall, while these delays have impacted CNL's ability to commence large-scale cleanup and remediation activities at AECL sites, they have allowed for more

public and Indigenous engagement, and the development of additional studies in support of the projects' safety cases (which are also facilitating public and Indigenous engagement).

Progress has been made on the Near Surface Disposal Facility (NSDF) project as the CNSC issued its decision, in January 2024, to amend the CNL operating license at Chalk River Laboratories to permit the construction of the proposed near surface disposal facility. However, subsequent judicial review of elements of the CNSC process have resulted in a direction to the CNSC to conduct additional consultation with the Kebaowek First Nation, to be concluded by September 2026. This will result in the commencement of construction being further delayed. Staff and subcontractors designated for this project have been reassigned, and decommissioning work at the site – which depends on the future availability of the NSDF – is continuing. AECL will continue to monitor and take action should project delays have larger impacts on decommissioning operations.

The in situ decommissioning of the WR-1 research reactor and the Nuclear Power Demonstration reactor is progressing with collaboration and engagement between CNL and Indigenous Nations and communities, with both projects adjusting their approach and documentation to reflect the lessons learned from the regulatory process of the Near Surface Disposal Facility.

Financial Review

	Three Months Ended	
		June 30
(\$ millions)	2025	2024
Revenues		
Parliamentary appropriations	\$ 243	\$ 253
Commercial revenue	25	38
Investment income	5	7
	273	298
Expenses		
Cost of sales	22	23
Operating expenses	19	21
Contractual expenses	65	64
Decommissioning, waste management and contaminated sites expenses	(397)	(8)
	(291)	100
Surplus for the period	\$ 564	\$ 198

Parliamentary Appropriations

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$243 million of Parliamentary appropriations in the first quarter of 2025-26, comparable to the \$253 million recognized in the same period in 2024-25.

Commercial Revenue

In the first quarter of 2025-26, \$25 million in revenue was recognized, compared to \$38 million for the same period in 2024-25. Revenue included research and development activities performed by CNL for commercial customers, as well as heavy water sales. The quarterly decrease in commercial revenue is a result of decreased heavy water sales.

Investment Income

Investment income is earned on cash and investments. Investment income is comparable to the prior period.

Cost of Sales

Cost of sales is higher in 2025-26 as a percentage of revenue due to decreased sales of higher margin heavy water.

Operating Expenses

Operating expenses are largely comprised of AECL's oversight expenses and amortization of tangible capital assets. Operating expenses in the first quarter of \$19 million are comparable to that of the same period in 2024-25.

Contractual Expenses

AECL delivers its mandate through a long-term contract with CNL for the operation of its sites. A portion of CNL expenditures is reported by AECL as Contractual expenses. Expenses in this category for the first quarter total \$65 million, compared to \$64 million in the first quarter of 2024-25.

Decommissioning, Waste Management and Contaminated Sites Expenses

Decommissioning, waste management and contaminated sites expenses consist of financial expenses, the impact on the liability of a change in discount rate, and the revaluation (gain) loss, if any, on these reported liabilities. Financial expenses reflect the increase in the net present value (accretion of discount) of these reported liabilities. Changes in discount rate will impact the net present value of the reported liabilities. If the discount rate increases during the period, the result would be a decrease in the Decommissioning, waste management and contaminated sites expenses. If the discount rate decreases, the result would be an increase to the reported expenses. For a sensitivity of a 1% change in

the discount rate, refer to the annual audited financial statements dated March 31, 2025. 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 2025-26 are lower than the first quarter of 2024-25 due to increased discount rates in the current quarter compared to the prior period.

Surplus (Deficit) for the Period

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

Outlook

AECL's planned activities are set out in its Corporate Plan. The 2025-26 year-to-date expenditures are generally comparable to the planned results. Priorities and deliverables have not materially changed in the first three months of 2025-26.

Cash Flow and Working Capital

(\$ millions)	Three Months Ended	
	2025	June 30 2024
Cash provided by operating transactions	\$ 114	\$ 261
Cash applied to capital transactions	(41)	(52)
Cash applied to investing transactions	(51)	(2)
Increase in cash	22	207
Balance at beginning of the year	90	226
Balance at end of the year	\$ 112	\$ 433

Operating Transactions

Operating transactions generated a net cash inflow of \$22 million in the first quarter of 2025-26, compared to an inflow of \$207 million during the same period of the previous year. The variance is a result of deferred appropriations received in the first quarter of 2024-25, for second quarter activities. Refer to Note 10 of the unaudited financial statements for a reporting on how appropriations received were used during the period.

Capital Transactions

Capital transactions used cash in the first quarter of 2025-26 of \$41 million which is a decrease compared to the \$52 million used in the same period in the previous year.

Investing Transactions

The \$51 million cash used in investing transactions in the first quarter of 2025-26 was an increase over the same period in the prior year primarily due to increased investment in bonds in the current period.

Highlights of the Statement of Financial Position

(\$ millions)	June 30 2025	March 31 2025	Variance In \$	Variance By %
Financial Assets	\$ 595	\$ 711	\$ (116)	-16%
Financial Liabilities	10,148	10,798	(650)	-6%
Non-Financial Assets	1,249	1,216	33	3%
Net Liabilities	(8,305)	(8,870)	565	-6%

AECL closed the first quarter of 2025-26 with Financial Assets of \$595 million, which represents a \$116 million decrease from March 31, 2025. This variance is mainly the result of the timing of receipt of appropriations in the quarter.

The decrease in Financial Liabilities of \$650 million can be attributed primarily to a decrease in Decommissioning, waste management and contaminated sites liabilities due largely to increased discount rates in the quarter.

The increase in Non-Financial Assets of \$33 million is mainly a result of spending toward tangible capital assets during the year.

Use of Parliamentary Appropriations

AECL receives its funding primarily through Parliamentary appropriations. The appropriations are drawn down based on quarterly cash flow projections and may not necessarily match the timing of expenses reported in the Statement of Operations. AECL records Parliamentary appropriations received in the period as revenue in the Statement of Operations or as Deferred funding in the Statement of Financial Position to the extent they relate to the months following the period end. Refer to Note 10 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, net financial liabilities, changes in net financial liabilities, results of operations, changes in net liabilities 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 20, 2025

Chalk River, Canada



Thomas Assimes

Chief Financial Officer

August 20, 2025

Chalk River, Canada

UNAUDITED FINANCIAL STATEMENTS

Statement of Financial Position

As at

		June 30	March 31
(thousands of Canadian dollars)	Notes	2025	2025
Assets			
Financial assets			
Cash		\$ 111,663	\$ 89,985
Investments	3	412,543	360,133
Trade and other receivables	4	49,502	46,474
Appropriations receivable	10	-	192,300
Inventories held for resale		21,338	22,374
		595,046	711,266
Non-financial assets			
Tangible capital assets	5	1,248,539	1,216,409
Prepaid expenses		185	-
		1,248,724	1,216,409
Total Assets		1,843,770	1,927,675
Liabilities			
Financial liabilities			
Accounts payable and accrued liabilities	6	25,023	30,001
Employee future benefits	7	10,321	10,619
Due to Canadian Nuclear Laboratories		271,465	284,836
Decommissioning and waste management provision	8	8,931,613	9,471,288
Contaminated sites liability	9	910,047	1,000,856
Total Liabilities		10,148,469	10,797,600
Net Liabilities		(8,304,699)	(8,869,925)
Net assets (net liabilities) components:			
Accumulated deficit		(8,330,570)	(8,894,263)
Accumulated remeasurement gains		10,871	9,338
Issued share capital		15,000	15,000
		\$ (8,304,699)	\$ (8,869,925)

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

Statement of Net Financial Liabilities and Change in Net Financial Liabilities

As at

		June 30 2025	March 31 2025
<i>(thousands of Canadian dollars)</i>	Notes		
Financial assets		\$ 595,046	\$ 711,266
Financial liabilities		10,148,469	10,797,600
Net financial liabilities		\$ (9,553,423)	\$ (10,086,334)

Change in Net Financial Liabilities

		2026 Budget	Three Months Ended June 30 2025	June 30 2024
<i>(thousands of Canadian dollars)</i>	Notes			
Surplus for the period		\$ 1,233,921	\$ 563,693	\$ 197,685
Tangible capital assets				
Acquisition of tangible capital assets	5	(345,000)	(44,991)	(34,715)
Amortization of tangible capital assets	5	50,465	13,044	12,560
Miscellaneous adjustments	5	-	(183)	(20)
		(294,535)	(32,130)	(22,175)
Non-financial assets				
Changes in prepaid expenses		-	(185)	(1,074)
Net remeasurement gains for the period		-	1,533	1,042
Decrease in net financial liabilities		939,386	532,911	175,478
Net financial liabilities, beginning of period		(10,086,334)	(10,086,334)	(9,515,158)
Net financial liabilities, end of period		\$ (9,146,948)	\$ (9,553,423)	\$ (9,339,680)

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

Statement of Operations

		2026	Three Months Ended	
(thousands of Canadian dollars)	Notes	Budget	2025	June 30 2024
Revenues				
Parliamentary appropriations	10	\$ 1,860,000	\$ 243,207	\$ 252,900
Commercial revenue		120,000	25,104	38,547
Investment income		10,000	4,669	6,941
		1,990,000	272,980	298,388
Expenses				
Cost of sales		84,000	21,958	23,523
Operating expenses		79,965	19,458	21,205
Contractual expenses	11	295,000	64,911	64,423
Decommissioning, waste management and contaminated sites expenses		297,114	(397,040)	(8,448)
		756,079	(290,713)	100,703
Surplus for the period				
		\$ 1,233,921	\$ 563,693	\$ 197,685

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

Statement of Changes in Net Liabilities

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2025	2024
Accumulated deficit		
Surplus for the period	\$ 563,693	\$ 197,685
Accumulated deficit, beginning of period	(8,894,263)	(8,431,891)
Accumulated deficit, end of period	(8,330,570)	(8,234,206)
Accumulated remeasurement gains (losses)		
Remeasurement losses arising during the period		
Unrealized gains (losses) on equity instruments quoted in an active market	2,614	(1,482)
Unrealized (losses) gains on investments in other securities	(796)	314
Reclassifications to the Statement of Operations		
Realized gains on equity instruments quoted in an active market	(1)	-
Realized (gains) losses on investments in other securities	(284)	2,210
Net remeasurement gains for the period	1,533	1,042
Accumulated remeasurement gains (losses), beginning of period	9,338	(1,263)
Accumulated remeasurement gains (losses), end of period	10,871	(221)
Issued share capital		
Issued share capital, beginning and end of period	15,000	15,000
Total net liabilities	\$ (8,304,699)	\$ (8,219,427)

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>	2025	2024
Operating transactions		
Cash receipts from Parliamentary appropriations	\$ 435,507	\$ 576,000
Cash receipts from customers and other sources	23,321	38,062
Cash paid to suppliers	(108,945)	(130,607)
Cash paid to employees	(6,625)	(5,579)
Cash paid for decommissioning, waste management and contaminated sites activities	(233,444)	(222,978)
Cash paid for acquisition of investments in the Long-term disposal of waste fund	(182)	(17,540)
Cash proceeds from redemption of investments in the Long-term disposal of waste fund	10	17,896
Investment income received	4,267	5,959
Cash provided by operating transactions	113,909	261,213
Capital transactions		
Acquisition of tangible capital assets	(41,578)	(52,514)
Cash applied to capital transactions	(41,578)	(52,514)
Investing transactions		
Cash paid for acquisition of Other investments	(178,034)	(155,492)
Cash receipts from redemption of Other investments	127,381	153,485
Cash applied to investing transactions	(50,653)	(2,007)
Increase in cash	21,678	206,692
Cash, beginning of period	89,985	225,870
Cash, end of period	\$ 111,663	\$ 432,562

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

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended June 30, 2025

(Expressed in thousands of Canadian dollars)

(Unaudited)

1. General Information

Atomic Energy of Canada Limited (AECL) is a federal Crown corporation whose mandate is to enable nuclear science and technology and manage 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 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 Energy and Natural Resources under the *Nuclear Energy Act*.

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

AECL's 2025-2026 to 2029-2030 Corporate Plan received Governor in Council approval in the third quarter of the 2024-25 fiscal year. The Corporate Plan is aligned with the direction provided by AECL's sole shareholder, the Government of Canada, and reflects AECL's plans and priorities to be delivered under the Government-owned, Contractor-operated model.

2. Significant Accounting Policies

Basis of Accounting

These quarterly financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB) and should be read in conjunction with the annual audited financial statements dated March 31, 2025. The accounting policies used in these statements are consistent with those disclosed in the most recent annual audited financial statements dated March 31, 2025.

Both financial and non-financial assets are reported on the Statement of Financial Position. A financial asset is an asset that could be used to discharge existing financial liabilities or be spent on future operations and is not for consumption in the normal course of operations. Non-financial assets are assets that do not meet the definition of a financial asset, and 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 financial liabilities (or net financial assets) but rather are added to the net financial liabilities (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, financial 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 useful life and write-down of tangible capital assets, employee future benefits, contingent liabilities and provisions including the decommissioning and waste management provision and contaminated sites liability. Estimates and assumptions are based on the best information available at the time of preparation of the quarterly financial statements and are reviewed regularly to reflect new information as it becomes available. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

Budget Figures

The 2025-26 budget is reflected in the Statement of Operations and the Statement of Net Financial Liabilities and Change in Net Financial Liabilities. Budget data presented in these financial statements is based upon the 2025-26 projections and estimates contained within the 2025-26 to 2029-30 Corporate Plan.

3. Investments

	June 30, 2025			
	Long-term Disposal of Waste Fund	Investments Held in Trust	Other Investments	Total
<i>(thousands of Canadian dollars)</i>				
Short-term investments	\$ -	\$ -	\$ 118,098	\$ 118,098
Canadian government bonds*	-	-	111,228	111,228
Corporate bonds	13,801	32,935	59,320	106,056
Canadian equities**	6,844	14,643	-	21,487
Global equities**	17,961	37,713	-	55,674
	\$ 38,606	\$ 85,291	\$ 288,646	\$ 412,543

	March 31, 2025			
	Long-term Disposal of Waste Fund	Investments Held in Trust	Other Investments	Total
<i>(thousands of Canadian dollars)</i>				
Short-term investments	\$ -	\$ -	\$ 110,140	\$ 110,140
Canadian government bonds*	-	-	80,918	80,918
Corporate bonds	13,850	33,337	47,476	94,663
Canadian equities**	6,267	13,409	-	19,676
Global equities**	17,654	37,082	-	54,736
	\$ 37,771	\$ 83,828	\$ 238,534	\$ 360,133

* Canadian government bonds include federal, provincial and municipal bonds

** All Canadian and global equities are quoted in an active market

4. Trade and Other Receivables

	June 30 2025	March 31 2025
<i>(thousands of Canadian dollars)</i>		
Trade receivables	\$ 18,205	\$ 20,497
Unbilled revenue	11,935	10,217
Consumption taxes receivable	19,362	15,760
	\$ 49,502	\$ 46,474

5. Tangible Capital Assets

(thousands of Canadian dollars)

	Construction in Progress	Land and Land Improvements	Buildings	Machinery and Equipment	Total
Cost at March 31, 2025	\$ 478,726	\$ 177,429	\$ 718,959	\$ 553,159	\$ 1,928,273
Additions and transfers	44,991	31	-	1,964	46,986
Disposals and transfers	(1,825)	-	-	(104)	(1,929)
Cost at June 30, 2025	521,892	177,460	718,959	555,019	1,973,330
Accumulated amortization at March 31, 2025	-	74,615	296,818	340,431	711,864
Increase in amortization	-	1,489	5,047	6,508	13,044
Disposals and transfers	-	-	(7)	(110)	(117)
Accumulated amortization at June 30, 2025	-	76,104	301,858	346,829	724,791
Net carrying amount at March 31, 2025	478,726	102,814	422,141	212,728	1,216,409
Net carrying amount at June 30, 2025	\$ 521,892	\$ 101,356	\$ 417,101	\$ 208,190	\$ 1,248,539

6. Accounts Payable and Accrued Liabilities

	June 30 2025	March 31 2025
(thousands of Canadian dollars)		
Trade payables	\$ 12,429	\$ 628
Other payables and accrued expenses	776	16,856
Accrued payroll liabilities	3,212	5,869
Amounts due to related parties	2,234	1,521
Provisions	165	165
Customer advances and obligations	6,207	4,962
	\$ 25,023	\$ 30,001

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

7. 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	
	June 30	
<i>(thousands of Canadian dollars)</i>	2025	2024
Payments by employees	\$ 436	\$ 342
Payments by employer	1,098	828

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. The defined benefit obligation is not funded, as funding is provided when benefits are paid. Accordingly, there are no plan assets and the defined plan deficit is equal to the defined benefit obligation.

The voluntary termination compensation included in the reported Employee future benefits liability is \$4.1 million (March 31, 2025: \$4.2 million) and is payable in instances of future voluntary resignations and retirements.

8. Decommissioning and Waste Management Provision

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

	Three Months Ended June 30 2025	Year Ended March 31 2025
<i>(thousands of Canadian dollars)</i>		
Carrying amount - Beginning of period	\$ 9,471,288	\$ 8,672,132
Liabilities settled	(143,760)	(596,999)
Unwinding of discount	77,351	284,585
Effect of change in discount rate	(475,914)	33,622
Revision in estimate and timing of expenditures	2,241	1,075,075
Estimates affecting Property, plant and equipment and future disposal costs for waste from ongoing operations	407	2,873
Carrying amount - End of period	\$ 8,931,613	\$ 9,471,288

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$18,359.3 million (March 31, 2025: \$18,500.9 million).

The provision was discounted using a rate of 3.61% as at June 30, 2025. The opening balance as at March 31, 2025 was discounted using a rate of 3.27%.

9. Contaminated Sites Liability

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

	Three Months Ended June 30 2025	Year Ended March 31 2025
<i>(thousands of Canadian dollars)</i>		
Carrying amount - Beginning of period	\$ 1,000,856	\$ 1,172,128
Liabilities settled	(90,092)	(379,843)
Unwinding of discount	6,347	33,901
Effect of change in discount rate	(7,064)	28,171
Revision in estimate and timing of expenditures	-	146,499
Carrying amount - End of period	\$ 910,047	\$ 1,000,856

The nature of the Port Hope Area Initiative liability is the cleanup and safe long-term management of historic low-level radioactive waste in the Ontario municipalities of Port Hope and Clarington. This waste consists mainly of past process residues containing uranium and radium, and associated contaminated soils, the result of activities of a former federal Crown

corporation and its private-sector predecessors. The implementation phase is forecasted to be complete in 2030-31, with long-term monitoring and maintenance expected to continue for 100 years after implementation.

AECL also has responsibility for the Low-level Radioactive Waste Management Office which includes all activities to address and manage historic low-level waste at sites in Canada for which the Government has assumed responsibility (excluding the Port Hope Area Initiative). Historic low-level radioactive waste is material contaminated with low levels of radioactivity resulting from the processing and shipment of uranium and radium.

The liability is discounted using net present value techniques at a rate of 2.75% at June 30, 2025. The opening balance as at March 31, 2025 was discounted using a rate of 2.54%. The estimated total undiscounted expenditures are \$1,008.9 million (March 31, 2025: \$1,099.0 million).

10. Parliamentary Appropriations

	Three Months Ended June 30	
<i>(thousands of Canadian dollars)</i>	2025	2024
Parliamentary appropriations for operating, capital and statutory expenditures		
Amount received during the year for operating, capital and statutory expenditures	\$ 435,507	\$ 576,000
Amount receivable from a previous year	(192,300)	-
Amount received related to the next period (Deferred funding)	-	(323,100)
Total Parliamentary appropriations recognized	\$ 243,207	\$ 252,900

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, 2026 total \$1,945.7 million.

11. 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>	2025	2024
Contractual amounts paid or payable	\$ 361,636	\$ 338,642
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(233,046)	(222,618)
Less: Costs charged to Construction in progress	(44,991)	(34,715)
Less: Costs classified as Cost of sales	(18,688)	(16,886)
Contractual expenses	\$ 64,911	\$ 64,423

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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