



ATOMIC ENERGY OF CANADA LIMITED

Second Quarter Financial Report

Financial Statements (Unaudited)

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

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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 November 19, 2025.

Our Business

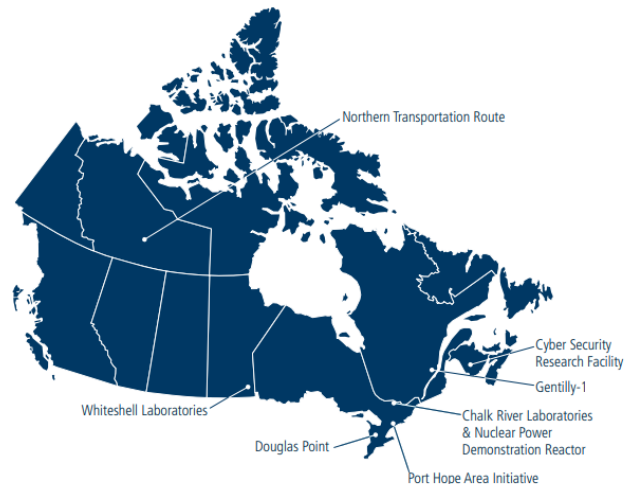
As a federal Crown corporation, Atomic Energy of Canada Limited (AECL) is working to advance Canada's interests through leading edge nuclear science and technology initiatives and protection of the environment. This includes combating climate change through clean energy growth and decarbonization strategies, 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.

Second Quarter Highlights for 2025-26

Below are some achievements from this quarter:

- In June, following a competitive procurement process, AECL announced that Nuclear Laboratory Partners of Canada Inc. (NLPC) had been selected as the Preferred Bidder for the contract to manage CNL. NLPC 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. Since that announcement AECL, CNL and NLPC, as well as AECL's current contractor, Canadian National Energy Alliance (CNEA), have been engaged in activities to support a smooth transition. The transition, however, will be delayed from the originally planned date of September 13, 2025, until such time as an outstanding regulatory review of the transaction is completed by the Competition Bureau. In the interim period, AECL has put in place an extension to the contract with CNEA to provide continuity of operations and leadership at CNL. Teams at NLPC, AECL, CNEA and CNL will continue to plan and prepare for a smooth transition. AECL and CNL's focus continues to be on the continuity of safe and secure operations.
- In September AECL participated in the Canadian delegation at the International Atomic Energy Agency General Conference, joining other Canadian government organizations, as well as Canadian nuclear sector representatives in engaging with partners from around the world on many key issues related to AECL's mandate.
- On July 15, the Chalk River Laboratories became the first Good Laboratory Practices certified laboratory in Canada that is capable of performing radioactive work and pre-clinical

radiopharmaceutical contract research. The enhanced certification follows a Standards Council of Canada audit that granted CNL full Good Laboratory Practices recognition, a designation that adheres to the Organization for Economic Co-operation and Development's protocols, and standards required by national and international regulators, including Health Canada and the Food and Drug Administration in the US. This opens the door to potential new commercial opportunities for the Biological Research Facility.

- AECL and CNL celebrated an important milestone during this period: the completion of the Port Hope Pier cleanup. This is a major achievement which will be extended into a larger planned celebration of the entire Harbour project next year when it is complete and open to the public. The industrial and large-scale sites of the Port Hope Area Initiative are approaching completion, a major achievement for the project.
- As was widely reported, the federal government asked almost all organizations to undertake a Comprehensive Expenditure Review, with a view to reducing expenditures by 15% within three years. AECL developed proposals during this period to respond to the Government's request. Further details will be provided once decisions are made by the Government.
- The 2025 International Tritium Conference was held in Ottawa, a premiere opportunity to showcase AECL and CNL capabilities, and advance collaboration opportunities on fusion. AECL and CNL have unique capabilities in fusion, specifically in the fuel cycle (deuterium and tritium), a position earned through decades of sustained investments in CANDU nuclear technology.

Forward-Looking Statements

This Management's Narrative Discussion has been reviewed by AECL's Audit Committee and approved by AECL's Board of Directors. It provides comments on the performance of AECL for the three and six months ended September 30, 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 completed a competitive procurement process to continue the management and operation of CNL beyond the current contract, which was set to expire in September 2025. An important risk has materialized which has led to delays in the contract award due to an outstanding regulatory review of the transaction by the Competition Bureau. In the interim period, AECL has put in place an extension to the contract with CNEA to provide continuity of operations and leadership at CNL. Risks related to this delay having negative impacts on current CNL operations (i.e. delays to existing projects, distracted workforce, etc.) continue to be actively managed. In particular, both AECL and CNL are heavily focused on the continuity of safe and secure operations.

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 September 30		Six Months Ended September 30	
(\$ millions)	2025	2024	2025	2024
Revenues				
Parliamentary appropriations	\$ 353	\$ 323	\$ 596	\$ 576
Commercial revenue	28	34	53	72
Investment income	4	6	9	13
	385	363	658	661
Expenses				
Cost of sales	22	23	44	47
Operating expenses	21	21	40	42
Contractual expenses	93	92	158	156
Decommissioning, waste management and contaminated sites expenses	43	441	(354)	433
	179	577	(112)	678
Surplus (deficit) for the period	\$ 206	\$ (214)	\$ 770	\$ (17)

Parliamentary Appropriations

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$353 million of Parliamentary appropriations in the second quarter of 2025-26, compared to \$323 million recognized in the same period in 2024-25. On a year-to-date basis, AECL recognized \$596 million in Parliamentary appropriations, compared to \$576 million recognized for the same period in 2024-25. The reason for the quarterly and year-to-date variance is due to increased spending on Decommissioning, waste management and contaminated sites expenses and spending toward tangible capital assets, as planned.

Commercial Revenue

In the second quarter of 2025-26, \$28 million in revenue was recognized, compared to \$34 million for the same period in 2024-25. On a year-to-date basis, revenues were \$53 million, compared to \$72 million in 2024-25. Revenue included research and development activities performed by CNL for commercial customers, as well as heavy water sales. The quarterly and year-to-date decrease in commercial revenue is a result of decreased heavy water sales.

Investment Income

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

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 second quarter of \$21 million and year-to-date of \$40 million are comparable to that of the same periods 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 second quarter of \$93 million and year-to-date of \$158 million are comparable to that of the same periods in 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 second quarter and year-to-date of 2025-26 are lower than the second quarter and year-to-date 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 six months of 2025-26.

Cash Flow and Working Capital

(\$ millions)	Six Months Ended September 30	
	2025	2024
Cash provided by (applied to) operating transactions	\$ 153	\$ (27)
Cash applied to capital transactions	(96)	(92)
Cash applied to investing transactions	(53)	(4)
Increase (decrease) in cash	4	(123)
Balance at beginning of the year	90	226
Balance at end of the year	\$ 94	\$ 103

Operating Transactions

Operating transactions generated a net cash inflow of \$153 million in the first six months of 2025-26, compared to an outflow of \$27 million during the same period of the previous year. The variance is a result of appropriations received in the first quarter of 2025-26, that was accrued for prior year 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 second quarter of 2025-26 of \$96 million which is comparable to the \$92 million used in the same period in the previous year.

Investing Transactions

The \$53 million cash used in investing transactions in the second 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

	September 30	March 31	Variance	Variance
(\$ millions)	2025	2025	In \$	By %
Financial Assets	\$ 592	\$ 711	\$ (119)	-17%
Non-Financial Assets	1,296	1,216	80	7%
Financial Liabilities	9,982	10,798	(816)	-8%
Net Liabilities	(8,094)	(8,870)	776	-9%

AECL closed the second quarter of 2025-26 with Financial Assets of \$592 million, which represents a \$119 million decrease from March 31, 2025. This variance is mainly the result of the timing of receipt of appropriations in the year.

The decrease in Financial Liabilities of \$816 million can be attributed primarily to a decrease in Decommissioning, waste management and contaminated sites liabilities due largely to increased discount rates in the year.

The increase in Non-Financial Assets of \$80 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

November 19, 2025

Chalk River, Canada



Thomas Assimes

Chief Financial Officer

November 19, 2025

Chalk River, Canada

UNAUDITED FINANCIAL STATEMENTS

Statement of Financial Position

As at

		September 30	March 31
(thousands of Canadian dollars)		2025	2025
Assets			
Financial assets			
Cash		\$ 93,974	\$ 89,985
Investments	3	419,511	360,133
Trade and other receivables	4	57,744	46,474
Appropriations receivable	10	-	192,300
Inventories held for resale		20,340	22,374
		591,569	711,266
Non-financial assets			
Tangible capital assets	5	1,296,191	1,216,409
		1,296,191	1,216,409
Total Assets		1,887,760	1,927,675
Liabilities			
Financial liabilities			
Accounts payable and accrued liabilities	6	56,163	30,001
Employee future benefits	7	9,769	10,619
Due to Canadian Nuclear Laboratories		283,925	284,836
Decommissioning and waste management provision	8	8,805,040	9,471,288
Contaminated sites liability	9	826,943	1,000,856
Total Liabilities		9,981,840	10,797,600
Net Liabilities		(8,094,080)	(8,869,925)
Net assets (net liabilities) components:			
Accumulated deficit		(8,124,115)	(8,894,263)
Accumulated remeasurement gains		15,035	9,338
Issued share capital		15,000	15,000
		\$ (8,094,080)	\$ (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

		September 30 2025	March 31 2025
<i>(thousands of Canadian dollars)</i>	Notes		
Financial assets		\$ 591,569	\$ 711,266
Financial liabilities		9,981,840	10,797,600
Net financial liabilities		\$ (9,390,271)	\$ (10,086,334)

Change in Net Financial Liabilities

		2026 Budget	Six Months Ended September 30 2025	September 30 2024
<i>(thousands of Canadian dollars)</i>	Notes			
Surplus (deficit) for the period		\$ 1,233,921	\$ 770,148	\$ (16,523)
Tangible capital assets				
Acquisition of tangible capital assets	5	(345,000)	(105,949)	(78,163)
Amortization of tangible capital assets	5	50,465	26,228	24,993
Miscellaneous adjustments	5	-	(61)	320
		(294,535)	(79,782)	(52,850)
Non-financial assets				
Changes in prepaid expenses		-	-	(1,111)
Net remeasurement gains for the period		-	5,697	10,268
Decrease (increase) in net financial liabilities		939,386	696,063	(60,216)
Net financial liabilities, beginning of period		(10,086,334)	(10,086,334)	(9,515,158)
Net financial liabilities, end of period		\$ (9,146,948)	\$ (9,390,271)	\$ (9,575,374)

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

Statement of Operations

		2026	Three Months Ended		Six Months Ended	
	Notes	Budget	September 30		September 30	
(thousands of Canadian dollars)			2025	2024	2025	2024
Revenues						
Parliamentary appropriations	10	\$ 1,860,000	\$ 353,100	\$ 323,100	\$ 596,307	\$ 576,000
Commercial revenue		120,000	27,899	33,477	53,003	72,024
Investment income		10,000	4,577	6,042	9,246	12,983
		1,990,000	385,576	362,619	658,556	661,007
Expenses						
Cost of sales		84,000	21,650	23,434	43,608	46,957
Operating expenses		79,965	20,857	20,706	40,315	41,911
Contractual expenses	11	295,000	93,128	91,813	158,039	156,236
Decommissioning, waste management and contaminated sites expenses		297,114	43,486	440,874	(353,554)	432,426
		756,079	179,121	576,827	(111,592)	677,530
Surplus (deficit) for the period						
		\$ 1,233,921	\$ 206,455	\$ (214,208)	\$ 770,148	\$ (16,523)

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

Statement of Changes in Net Liabilities

	Six Months Ended September 30	
<i>(thousands of Canadian dollars)</i>	2025	2024
Accumulated deficit		
Surplus (deficit) for the period	\$ 770,148	\$ (16,523)
Accumulated deficit, beginning of period	(8,894,263)	(8,431,891)
Accumulated deficit, end of period	(8,124,115)	(8,448,414)
Accumulated remeasurement gains (losses)		
Remeasurement gains arising during the period		
Unrealized gains on equity instruments quoted in an active market	6,017	3,722
Unrealized gains on investments in other securities	466	4,337
Reclassifications to the Statement of Operations		
Realized gains on equity instruments quoted in an active market	(2)	-
Realized (gains) losses on investments in other securities	(784)	2,209
Net remeasurement gains for the period	5,697	10,268
Accumulated remeasurement gains (losses), beginning of period	9,338	(1,263)
Accumulated remeasurement gains, end of period	15,035	9,005
Issued share capital		
Issued share capital, beginning and end of period	15,000	15,000
Total net liabilities	\$ (8,094,080)	\$ (8,424,409)

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

Statement of Cash Flows

	Six Months Ended September 30	
<i>(thousands of Canadian dollars)</i>	2025	2024
Operating transactions		
Cash receipts from Parliamentary appropriations	\$ 788,607	\$ 576,000
Cash receipts from customers and other sources	42,308	69,473
Cash paid to suppliers	(188,928)	(211,894)
Cash paid to employees	(10,161)	(9,154)
Cash paid for decommissioning, waste management and contaminated sites activities	(486,607)	(463,886)
Cash paid for acquisition of investments in the Long-term disposal of waste fund	(373)	(17,450)
Cash proceeds from redemption of investments in the Long-term disposal of waste fund	20	17,751
Investment income received	8,637	11,779
Cash provided by (applied to) operating transactions	153,503	(27,381)
Capital transactions		
Acquisition of tangible capital assets	(96,411)	(91,586)
Cash applied to capital transactions	(96,411)	(91,586)
Investing transactions		
Cash paid for acquisition of Other investments	(321,234)	(226,904)
Cash receipts from redemption of Other investments	268,131	222,611
Cash applied to investing transactions	(53,103)	(4,293)
Increase (decrease) in cash	3,989	(123,260)
Cash, beginning of period	89,985	225,870
Cash, end of period	\$ 93,974	\$ 102,610

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

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ended September 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

<i>(thousands of Canadian dollars)</i>	September 30, 2025			
	Long-term			
	Disposal of Waste Fund	Investments Held in Trust	Other Investments	Total
Short-term investments	\$ -	\$ -	\$ 119,030	\$ 119,030
Canadian government bonds*	-	-	112,947	112,947
Corporate bonds	14,028	33,324	59,562	106,914
Canadian equities**	7,275	15,463	-	22,738
Global equities**	18,680	39,202	-	57,882
	\$ 39,983	\$ 87,989	\$ 291,539	\$ 419,511

<i>(thousands of Canadian dollars)</i>	March 31, 2025			
	Long-term			
	Disposal of Waste Fund	Investments Held in Trust	Other Investments	Total
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

<i>(thousands of Canadian dollars)</i>	September 30 2025	March 31 2025
Trade receivables	\$ 21,225	\$ 20,497
Unbilled revenue	15,354	10,217
Consumption taxes receivable	21,165	15,760
	\$ 57,744	\$ 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	105,949	31	-	4,186	110,166
Disposals and transfers	(4,047)	-	(352)	(186)	(4,585)
Cost at September 30, 2025	580,628	177,460	718,607	557,159	2,033,854
Accumulated amortization at March 31, 2025	-	74,615	296,818	340,431	711,864
Increase in amortization	-	2,978	10,129	13,121	26,228
Disposals and transfers	-	-	(237)	(192)	(429)
Accumulated amortization at September 30, 2025	-	77,593	306,710	353,360	737,663
Net carrying amount at March 31, 2025	478,726	102,814	422,141	212,728	1,216,409
Net carrying amount at September 30, 2025	\$ 580,628	\$ 99,867	\$ 411,897	\$ 203,799	\$1,296,191

6. Accounts Payable and Accrued Liabilities

	September 30 2025	March 31 2025
(thousands of Canadian dollars)		
Trade payables	\$ 69	\$ 628
Other payables and accrued expenses	43,663	16,856
Accrued payroll liabilities	4,131	5,869
Amounts due to related parties	2,598	1,521
Provisions	165	165
Customer advances and obligations	5,537	4,962
	\$ 56,163	\$ 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 September 30		Six Months Ended September 30	
<i>(thousands of Canadian dollars)</i>	2025	2024	2025	2024
Payments by employees	\$ 238	\$ 248	\$ 674	\$ 590
Payments by employer	347	355	1,446	1,183

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 \$3.5 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.

	Six Months Ended September 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	(303,219)	(596,999)
Unwinding of discount	157,885	284,585
Effect of change in discount rate	(573,662)	33,622
Revision in estimate and timing of expenditures	51,974	1,075,075
Estimates affecting Property, plant and equipment and future disposal costs for waste from ongoing operations	774	2,873
Carrying amount - End of period	\$ 8,805,040	\$ 9,471,288

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$18,249.6 million (March 31, 2025: \$18,500.9 million).

The provision was discounted using a rate of 3.68% as at September 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.

	Six Months Ended September 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	(184,162)	(379,843)
Unwinding of discount	12,602	33,901
Effect of change in discount rate	(3,145)	28,171
Revision in estimate and timing of expenditures	792	146,499
Carrying amount - End of period	\$ 826,943	\$ 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 2.63% at September 30, 2025. The opening balance as at March 31, 2025 was discounted using a rate of 2.54%. The estimated total undiscounted expenditures are \$915.7 million (March 31, 2025: \$1,099.0 million).

10. Parliamentary Appropriations

	Three Months Ended September 30		Six Months Ended September 30	
<i>(thousands of Canadian dollars)</i>	2025	2024	2025	2024
Parliamentary appropriations for operating, capital and statutory expenditures				
Amount received during the year for operating, capital and statutory expenditures	\$ 353,100	\$ -	\$ 788,607	\$ 576,000
Amount receivable from a previous year	-	-	(192,300)	-
Amount deferred from the previous period	-	323,100	-	-
Total Parliamentary appropriations recognized	\$ 353,100	\$ 323,100	\$ 596,307	\$ 576,000

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 September 30		Six Months Ended September 30	
<i>(thousands of Canadian dollars)</i>	2025	2024	2025	2024
Contractual amounts paid or payable	\$ 424,855	\$ 394,745	\$ 786,491	\$ 733,387
Less: Costs charged to Decommissioning and waste management provision and Contaminated	(252,715)	(240,716)	(485,761)	(463,334)
Less: Costs charged to Construction in progress	(60,958)	(43,448)	(105,949)	(78,163)
Less: Costs classified as Cost of sales	(18,054)	(18,768)	(36,742)	(35,654)
Contractual expenses	\$ 93,128	\$ 91,813	\$ 158,039	\$ 156,236

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



**Atomic Energy of
Canada Limited**

Chalk River Laboratories
286 Plant Road, Stn 7036
Chalk River, Ontario
Canada K0J 1J0

Inquiries

Public requests for information
Email: communications@aecl.ca

Visit Our Website

www.aecl.ca