



# **ATOMIC ENERGY OF CANADA LIMITED**

## **Third Quarter Financial Report**

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

**As at and for the three and nine months ended  
December 31, 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 February 18, 2026.

## Our Business

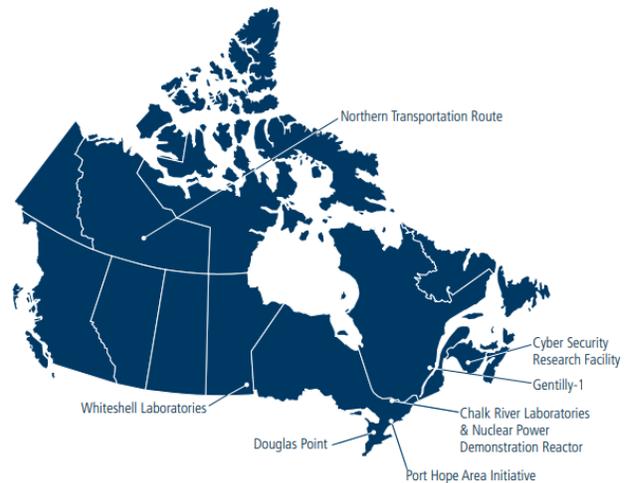
As a federal Crown corporation, Atomic Energy of Canada Limited (AECL) is working to advance Canada's interests through leading edge nuclear science and technology initiatives and protection of the environment. This includes combating climate change through clean energy growth and decarbonization strategies,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

### Third Quarter Highlights for 2025-26

Below are some achievements from this quarter:

The most significant development from this period is the completion of the GoCo contract procurement process, and the transition to the new leadership team, under the Nuclear Laboratory Partners of Canada (NLPC) consortium.

The transition to the new contractor was originally scheduled for mid-September. However, a review by the Competition Bureau, an independent regulator that reviews all major mergers and acquisitions in Canada, extended past that planned date, necessitating a delay. AECL and CNL spent a significant amount of time and energy during this period gathering documentation to support the review and addressing Competition Bureau questions.

In early December, the Competition Bureau issued a No-Action Letter, which confirmed that the Bureau did not intend to challenge the proposed transaction at this time. With this step concluded, AECL was able to move forward with the transition, and NLPC officially took on responsibility for the ownership and management of CNL on December 11, 2025.

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.

This is a major milestone for AECL and CNL, as it is the first leadership transition since the inception of the GoCo model in 2015. Looking back, the GoCo model has delivered:

- Incredible progress at Port Hope, including the completion of almost all industrial site cleanups, and the completion of the Port Granby long-term waste management facility.
- Safe and secure repatriation of highly-enriched uranium to the United States in a landmark international partnership.
- Successful decommissioning of over 130 buildings and structures at the Chalk River Laboratories.
- Major revitalization of the Chalk River Laboratories campus, with new logistics, laboratory, and office buildings in operation.
- Successful consolidation of fuel from prototype reactors to the Chalk River Laboratories, thereby reducing overhead costs.
- The establishment of Indigenous guardian programs at both the Chalk River and Whiteshell sites, as well as a Long Term Relationship Agreement with the Algonquins of Pikwakanagan.
- Exciting scientific progress including joint ventures for advanced new cancer treatments (Actineer Inc.) and development of fusion technology (Fusion Fuel Cycles)
- The establishment of the AECL-led Federal Nuclear Science and Technology Work Plan, connecting 15 federal departments to AECL-owned laboratories and capabilities to advance federal science and policy priorities.

Looking ahead, AECL is very excited to have the new leadership team in place, and it looks forward to advancing its priorities alongside the new leadership team that NLPC is bringing to CNL.

Other notable accomplishments during the period include the launch of the Centre for Fusion Energy with AECL, CNL, Stellarex and Ontario Power Generation, which is a national platform for a robust and integrated Canadian fusion ecosystem for developing advanced domestic fusion energy capabilities and advancing fusion energy research. This is an important vehicle for collaboration between the federal and provincial governments, and another example of AECL using partnerships to advance common goals, and increase the reach of our capabilities.

## **Forward-Looking Statements**

This Management's Narrative Discussion has been reviewed by AECL's Audit Committee and approved by AECL's Board of Directors. It provides comments on the performance of AECL for the three and nine months ended December 31, 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 now 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 materialized, leading to delays in the contract award due to an outstanding regulatory review of the transaction by the Competition Bureau. In the interim period, AECL 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. With the contract award having been effected at the end of this reporting period, this risk will be retired in the future.

**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:** Currently, the costs to operate the Chalk River Laboratories (e.g. fire protection, security, asset maintenance, etc.) are shared between the various missions, including science and technology, and decommissioning and waste management. Looking ahead, AECL anticipates that as decommissioning and waste management activities are completed, the costs to the science and technology mission will increase. 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 has resulted 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

(\$ millions)	Three Months Ended		Nine Months Ended	
	December 31		December 31	
	2025	2024	2025	2024
<b>Revenues</b>				
Parliamentary appropriations	\$ 394	\$ 358	\$ 990	\$ 934
Commercial revenue	37	41	89	113
Investment income	5	7	15	20
	<b>436</b>	<b>406</b>	<b>1,094</b>	<b>1,067</b>
<b>Expenses</b>				
Cost of sales	27	27	70	74
Operating expenses	24	18	64	59
Contractual expenses	71	63	229	220
Decommissioning, waste management and contaminated sites expenses	814	206	461	638
	<b>936</b>	<b>314</b>	<b>824</b>	<b>991</b>
<b>(Deficit) surplus for the period</b>	<b>\$ (500)</b>	<b>\$ 92</b>	<b>\$ 270</b>	<b>\$ 76</b>

## Parliamentary Appropriations

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$394 million of Parliamentary appropriations in the third quarter of 2025-26, compared to \$358 million recognized in the same period in 2024-25. On a year-to-date basis, AECL recognized \$990 million in Parliamentary appropriations, compared to \$934 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 third quarter of 2025-26, \$37 million in revenue was recognized, compared to \$41 million for the same period in 2024-25. On a year-to-date basis, revenues were \$89 million, compared to \$113 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 has decreased due to a drop in interest rates over the past year.

## **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 third quarter of \$24 million and year-to-date of \$64 million are higher than that of the same periods in 2024-25 due to increased amortization and other operating expenses compared to the prior year.

## **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 third quarter of \$71 million and year-to-date of \$229 million are higher than those of the same periods in 2024-25 due to 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, 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 third quarter are higher than the third quarter of 2024-25 due to increases in project estimates recorded in the current period. The year-to-date expenses are lower than the year-to-date of 2024-25 due to increased discount rates compared to the prior period, which offset the increased project estimates.

## **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 nine months of 2025-26.

## Cash Flow and Working Capital

(\$ millions)	Nine Months Ended	
	December 31	
	2025	2024
Cash provided by operating transactions	\$ 221	\$ 28
Cash applied to capital transactions	(164)	(125)
Cash applied to investing transactions	(55)	(7)
Increase (decrease) in cash	2	(104)
Balance at beginning of the period	90	226
<b>Balance at end of the period</b>	<b>\$ 92</b>	<b>\$ 122</b>

## Operating Transactions

Operating transactions generated a net cash inflow of \$221 million in the first nine months of 2025-26, compared to an inflow of \$28 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 were 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 third quarter of 2025-26 of \$164 million which is higher than the \$125 million used in the same period in the previous year due to increased spending on capital projects.

## Investing Transactions

The \$55 million cash used in investing transactions in the third 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

<i>(\$ millions)</i>	<b>December 31 2025</b>	March 31 2025	Variance In \$	Variance By %
Financial Assets	<b>\$ 594</b>	\$ 711	\$ (117)	-16%
Non-Financial Assets	<b>1,354</b>	1,216	138	11%
Financial Liabilities	<b>10,541</b>	10,798	(257)	-2%
Net Liabilities	<b>(8,594)</b>	(8,870)	276	-3%

AECL closed the third quarter of 2025-26 with Financial Assets of \$594 million, which represents a \$117 million decrease from March 31, 2025. This variance is mainly the result of the timing of receipt of appropriations in the year.

The increase in Non-Financial Assets of \$138 million is mainly a result of spending toward tangible capital assets during the year.

The decrease in Financial Liabilities of \$257 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, partly offset by an increase in project estimates.

## 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*

February 18, 2026

Chalk River, Canada



**Thomas Assimes**

*Chief Financial Officer*

February 18, 2026

Chalk River, Canada

# UNAUDITED FINANCIAL STATEMENTS

## Statement of Financial Position

As at

<i>(thousands of Canadian dollars)</i>	Notes	December 31 2025	March 31 2025
<b>Assets</b>			
<b>Financial assets</b>			
Cash		\$ 91,886	\$ 89,985
Investments	3	423,363	360,133
Trade and other receivables	4	61,034	46,474
Appropriations receivable	10	-	192,300
Inventories held for resale		17,463	22,374
		<b>593,746</b>	<b>711,266</b>
<b>Non-financial assets</b>			
Tangible capital assets	5	1,353,790	1,216,409
		<b>1,353,790</b>	<b>1,216,409</b>
<b>Total Assets</b>		<b>1,947,536</b>	<b>1,927,675</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	6	71,254	30,001
Employee future benefits	7	10,163	10,619
Due to Canadian Nuclear Laboratories		255,042	284,836
Decommissioning and waste management provision	8	9,352,151	9,471,288
Contaminated sites liability	9	852,549	1,000,856
<b>Total Liabilities</b>		<b>10,541,159</b>	<b>10,797,600</b>
<b>Net Liabilities</b>		<b>(8,593,623)</b>	<b>(8,869,925)</b>
Net assets (net liabilities) components:			
Accumulated deficit		(8,624,192)	(8,894,263)
Accumulated remeasurement gains		15,569	9,338
Issued share capital		15,000	15,000
		<b>\$ (8,593,623)</b>	<b>\$ (8,869,925)</b>

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

## Statement of Net Financial Liabilities and Change in Net Financial Liabilities

As at

<i>(thousands of Canadian dollars)</i>	Notes	December 31 2025	March 31 2025
Financial assets		\$ 593,746	\$ 711,266
Financial liabilities		10,541,159	10,797,600
<b>Net financial liabilities</b>		<b>\$ (9,947,413)</b>	<b>\$ (10,086,334)</b>

## Change in Net Financial Liabilities

<i>(thousands of Canadian dollars)</i>	Notes	2026 Budget	Nine Months Ended December 31 2025	December 31 2024
<b>Surplus for the period</b>		\$ 1,233,921	\$ 270,071	\$ 75,890
<b>Tangible capital assets</b>				
Acquisition of tangible capital assets	5	(345,000)	(176,633)	(118,627)
Amortization of tangible capital assets	5	50,465	39,278	37,499
Miscellaneous adjustments	5	-	(26)	469
		(294,535)	(137,381)	(80,659)
<b>Net remeasurement gains for the period</b>		-	6,231	7,238
<b>Decrease in net financial liabilities</b>		939,386	138,921	2,469
<b>Net financial liabilities, beginning of period</b>		(10,086,334)	(10,086,334)	(9,515,158)
<b>Net financial liabilities, end of period</b>		\$ (9,146,948)	\$ (9,947,413)	\$ (9,512,689)

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

## Statement of Operations

	Notes	2026	Three Months Ended		Nine Months Ended	
		Budget	December 31	December 31	December 31	December 31
(thousands of Canadian dollars)			2025	2024	2025	2024
<b>Revenues</b>						
Parliamentary appropriations	10	\$ 1,860,000	\$ 394,000	\$ 358,000	\$ 990,307	\$ 934,000
Commercial revenue		120,000	36,446	41,362	89,449	113,386
Investment income		10,000	5,276	6,538	14,522	19,521
		1,990,000	435,722	405,900	1,094,278	1,066,907
<b>Expenses</b>						
Cost of sales		84,000	26,501	26,943	70,109	73,900
Operating expenses		79,965	24,231	17,481	64,546	59,392
Contractual expenses	11	295,000	70,977	63,195	229,016	219,431
Decommissioning, waste management and contaminated sites expenses		297,114	814,090	205,868	460,536	638,294
		756,079	935,799	313,487	824,207	991,017
<b>(Deficit) surplus for the period</b>		\$ 1,233,921	\$ (500,077)	\$ 92,413	\$ 270,071	\$ 75,890

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

## Statement of Changes in Net Liabilities

	Nine Months Ended December 31	
<i>(thousands of Canadian dollars)</i>	2025	2024
<b>Accumulated deficit</b>		
Surplus for the period	\$ 270,071	\$ 75,890
Accumulated deficit, beginning of period	(8,894,263)	(8,431,891)
Accumulated deficit, end of period	<b>(8,624,192)</b>	<b>(8,356,001)</b>
<b>Accumulated remeasurement gains (losses)</b>		
Remeasurement gains arising during the period		
Unrealized gains on equity instruments quoted in an active market	7,438	2,031
Unrealized (losses) gains on investments in other securities	(422)	3,917
Reclassifications to the Statement of Operations		
Realized gains on equity instruments quoted in an active market	(6)	-
Realized (gains) losses on investments in other securities	(779)	1,290
Net remeasurement gains for the period	6,231	7,238
Accumulated remeasurement gains (losses), beginning of period	9,338	(1,263)
Accumulated remeasurement gains, end of period	<b>15,569</b>	<b>5,975</b>
<b>Issued share capital</b>		
Issued share capital, beginning and end of period	15,000	15,000
<b>Total net liabilities</b>	<b>\$ (8,593,623)</b>	<b>\$ (8,335,026)</b>

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

## Statement of Cash Flows

	Nine Months Ended	
	December 31	
<i>(thousands of Canadian dollars)</i>	2025	2024
<b>Operating transactions</b>		
Cash receipts from Parliamentary appropriations	\$ 1,182,607	\$ 934,000
Cash receipts from customers and other sources	76,798	100,254
Cash paid to suppliers	(309,168)	(298,798)
Cash paid to employees	(13,220)	(12,305)
Cash paid for decommissioning, waste management and contaminated sites activities	(727,980)	(711,881)
Cash paid for acquisition of investments in the Long-term disposal of waste fund	(1,193)	(17,450)
Cash proceeds from redemption of investments in the Long-term disposal of waste fund	30	16,754
Investment income received	13,396	17,781
<b>Cash provided by operating transactions</b>	<b>221,270</b>	<b>28,355</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(164,221)	(125,115)
<b>Cash applied to capital transactions</b>	<b>(164,221)</b>	<b>(125,115)</b>
<b>Investing transactions</b>		
Cash paid for acquisition of Other investments	(451,807)	(352,357)
Cash receipts from redemption of Other investments	396,659	345,179
<b>Cash applied to investing transactions</b>	<b>(55,148)</b>	<b>(7,178)</b>
<b>Increase (decrease) in cash</b>	<b>1,901</b>	<b>(103,938)</b>
<b>Cash, beginning of period</b>	<b>89,985</b>	<b>225,870</b>
<b>Cash, end of period</b>	<b>\$ 91,886</b>	<b>\$ 121,932</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the three and nine months ended December 31, 2025

(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 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>	December 31, 2025			
	Long-term			
	Disposal of Waste Fund	Investments Held in Trust	Other Investments	Total
Short-term investments	\$ -	\$ -	\$ 117,324	\$ 117,324
Canadian government bonds*	-	-	117,130	117,130
Corporate bonds	13,977	33,797	58,316	106,090
Canadian equities**	7,609	16,114	-	23,723
Global equities**	18,891	40,205	-	59,096
	<b>\$ 40,477</b>	<b>\$ 90,116</b>	<b>\$ 292,770</b>	<b>\$ 423,363</b>

<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
	<b>\$ 37,771</b>	<b>\$ 83,828</b>	<b>\$ 238,534</b>	<b>\$ 360,133</b>

\* 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>	December 31 2025	March 31 2025
Trade receivables	\$ 24,274	\$ 20,497
Unbilled revenue	16,356	10,217
Consumption taxes receivable	20,404	15,760
	<b>\$ 61,034</b>	<b>\$ 46,474</b>

## 5. 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, 2025</b>	\$ 478,726	\$ 177,429	\$ 718,959	\$ 553,159	\$ 1,928,273
Additions and transfers	176,633	31	-	7,584	184,248
Disposals and transfers	(7,443)	-	(352)	(625)	(8,420)
<b>Cost at December 31, 2025</b>	<b>647,916</b>	<b>177,460</b>	<b>718,607</b>	<b>560,118</b>	<b>2,104,101</b>
<b>Accumulated amortization at March 31, 2025</b>	-	<b>74,615</b>	<b>296,818</b>	<b>340,431</b>	<b>711,864</b>
Increase in amortization	-	4,464	15,210	19,604	39,278
Disposals and transfers	-	-	(237)	(594)	(831)
<b>Accumulated amortization at December 31, 2025</b>	-	<b>79,079</b>	<b>311,791</b>	<b>359,441</b>	<b>750,311</b>
<b>Net carrying amount at March 31, 2025</b>	<b>478,726</b>	<b>102,814</b>	<b>422,141</b>	<b>212,728</b>	<b>1,216,409</b>
<b>Net carrying amount at December 31, 2025</b>	<b>\$ 647,916</b>	<b>\$ 98,381</b>	<b>\$ 406,816</b>	<b>\$ 200,677</b>	<b>\$ 1,353,790</b>

## 6. Accounts Payable and Accrued Liabilities

	December 31 2025	March 31 2025
Trade payables	\$ 831	\$ 628
Other payables and accrued expenses	53,826	16,856
Accrued payroll liabilities	4,553	5,869
Amounts due to related parties	5,008	1,521
Provisions	165	165
Customer advances and obligations	6,871	4,962
	<b>\$ 71,254</b>	<b>\$ 30,001</b>

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

## 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		Nine Months Ended	
	December 31		December 31	
<i>(thousands of Canadian dollars)</i>	2025	2024	2025	2024
Payments by employees	\$ 284	\$ 292	\$ 959	\$ 882
Payments by employer	424	417	1,869	1,600

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.

	Nine Months Ended December 31 2025	Year Ended March 31 2025
<i>(thousands of Canadian dollars)</i>		
<b>Carrying amount - Beginning of period</b>	<b>\$ 9,471,288</b>	<b>\$ 8,672,132</b>
Liabilities settled	<b>(458,259)</b>	(596,999)
Unwinding of discount	<b>238,913</b>	284,585
Effect of change in discount rate	<b>(873,115)</b>	33,622
Revision in estimate and timing of expenditures	<b>971,974</b>	1,075,075
Estimates affecting Property, plant and equipment and future disposal costs for waste from ongoing operations	<b>1,350</b>	2,873
<b>Carrying amount - End of period</b>	<b>\$ 9,352,151</b>	<b>\$ 9,471,288</b>

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$19,014.5 million (March 31, 2025: \$18,500.9 million).

The provision was discounted using a rate of 3.92% as at December 31, 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.

	Nine Months Ended December 31 2025	Year Ended March 31 2025
<i>(thousands of Canadian dollars)</i>		
<b>Carrying amount - Beginning of period</b>	<b>\$ 1,000,856</b>	<b>\$ 1,172,128</b>
Liabilities settled	<b>(271,071)</b>	(379,843)
Unwinding of discount	<b>18,040</b>	33,901
Effect of change in discount rate	<b>(11,068)</b>	28,171
Revision in estimate and timing of expenditures	<b>115,792</b>	146,499
<b>Carrying amount - End of period</b>	<b>\$ 852,549</b>	<b>\$ 1,000,856</b>

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 2.87% at December 31, 2025. The opening balance as at March 31, 2025 was discounted using a rate of 2.54%. The estimated total undiscounted expenditures are \$943.8 million (March 31, 2025: \$1,099.0 million).

## 10. Parliamentary Appropriations

	Three Months Ended		Nine Months Ended	
	December 31		December 31	
<i>(thousands of Canadian dollars)</i>	2025	2024	2025	2024
<b>Parliamentary appropriations for operating, capital and statutory expenditures</b>				
Amount received during the year for operating, capital and statutory expenditures	\$ 394,000	\$ 358,000	\$ 1,182,607	\$ 934,000
Amount receivable from a previous year	-	-	(192,300)	-
<b>Total Parliamentary appropriations recognized</b>	<b>\$ 394,000</b>	<b>\$ 358,000</b>	<b>\$ 990,307</b>	<b>\$ 934,000</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, 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, as per the terms of the contractual arrangement.

The following contractual expenses were incurred:

	Three Months Ended		Nine Months Ended	
	December 31		December 31	
<i>(thousands of Canadian dollars)</i>	2025	2024	2025	2024
<b>Contractual amounts paid or payable</b>	\$ 401,478	\$ 370,614	\$1,187,969	\$ 1,104,001
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(241,144)	(247,741)	(726,905)	(711,075)
Less: Costs charged to Construction in progress	(70,684)	(40,464)	(176,633)	(118,627)
Less: Costs classified as Cost of sales	(18,673)	(19,214)	(55,415)	(54,868)
<b>Contractual expenses</b>	\$ 70,977	\$ 63,195	\$ 229,016	\$ 219,431

Contractual amounts paid or payable include fees paid to Nuclear Laboratory Partners of Canada (NLPC) and Canadian National Energy Alliance (CNEA), in accordance with the contractual arrangement between AECL and NLPC (CNEA prior to December 11, 2025) and CNL.



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