AECL
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ATOMIC ENERGY OF CANADA LIMITED

Second Quarter Financial Report

Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the three and six months ended September 30, 2015 and September 30, 2014

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MESSAGE FROM THE CHIEF TRANSITION OFFICER

The second quarter of 2015-16 was one of transition and of important milestones for Atomic Energy of Canada Limited (AECL). Indeed, on September 13, 2015, the restructuring of AECL was completed with the transfer of the shares of Canadian Nuclear Laboratories (CNL), previously an AECL subsidiary, to Canadian National Energy Alliance (CNEA). This followed the announcement by the Government of Canada, in June 2015, that CNEA had been selected as the preferred bidder to manage and operate CNL under a Government-owned, Contractor-operated model.

This effectively completed the restructuring of AECL, a process which had been underway since 2009. Through the Government-owned, Contractor-operated model, the objective is to bring private-sector rigour and efficiency to the operation of CNL, while reducing risk and costs for Canadian taxpayers.

AECL's mandate continues to be to enable nuclear science and technology, and to fulfill Canada's radioactive waste and decommissioning responsibilities. Under the Government-owned, Contractor-operated model, AECL delivers on its mandate through a long-term contract with CNEA and CNL. CNEA brings extensive international experience in site management, operations, decommissioning and waste management that will advance AECL's priorities over the coming years.

Throughout the quarter, AECL, CNL and CNEA actively prepared for this important milestone to ensure a smooth transition. I am proud to report that AECL is now fully assuming its oversight role, and that it is well equipped to do so. Over the last few months, AECL has put in place the people, systems, policies and processes to ensure that it is a nimble, expert-based organization capable of overseeing the contract with CNL and playing an appropriate challenge function that will bring value for Canada. While there will inevitably be hurdles as this new and first of a kind in Canada model is implemented, AECL has hit the ground running, due to the immense efforts this quarter and previous quarters to get us there.

From a CNL perspective, there have been significant advancements on all fronts, including several successful collaborations in science and technology. These include a $1 million contract with the US-based Electric Power Research Institute, the successful completion of the conversion of a Jamaican reactor from highly enriched uranium to low enriched uranium, as well as the development, in collaboration with German and American laboratories, of a proof-of-concept technology for analyzing internal flows that has applications for Canada's nuclear power fleet. These and other achievements during the quarter showcase CNL's unique capabilities and facilities, and how they can be leveraged through collaboration to advance nuclear research.

Several milestones were also reached in the decommissioning and waste management program, including the first, safe shipment of historic fuel to the US as part of the highly enriched uranium repatriation project. This safe and timely solution for the long-term management of these materials contributes to Canada's nuclear non-proliferation objectives, with materials being moved outside of the country and into permanent, highly-secured locations in the US. Also, in decommissioning and waste management, several large contracts were issued to advance work to clean-up and safely manage historic low-level radioactive waste in Port Hope and Clarington, Ontario.

These achievements and many others are a testament to the dedication of CNL staff, as they enabled the organization to reach important milestones in the midst of the transition to the Government-owned, Contractor-operated model. For this and many other reasons, I would like to express my deepest and sincere thanks to the outgoing senior management team of CNL for continued support and dedication to completing this restructuring. In particular, Bob Walker has been instrumental in leading CNL through the transition, always committed to keeping his employees informed, engaged and safe. Through his leadership and that of others at CNL, AECL and Natural Resources Canada, we have put in place a unique model for Canada that is poised to allow CNL to prosper for decades to come for the benefit of Canada and Canadians.

Jon Lundy
Chief Transition Officer, AECL

MANAGEMENT’S NARRATIVE DISCUSSION

Introduction

The purpose of this Management Narrative Discussion is to provide the reader with a greater understanding of AECL’s business, its performance and how it manages risk and capital resources, as well as its plans and outlook. It is also intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the second quarter of 2015-16 and accompanying notes. Management’s Narrative Discussion should therefore be read in conjunction with these documents, in addition to the First Quarter Financial Report for 2015-16.

Unless otherwise indicated, all financial information presented in Management’s Narrative Discussion, including tabular amounts, is in Canadian dollars and is prepared in accordance with International Financial Reporting Standards (IFRS).

Management’s Narrative Discussion was authorized for issue by the Board of Directors on November 19, 2015.

Our Business

AECL is a federal Crown corporation with the mandate to enable nuclear science and technology, and address Canada’s radioactive waste and decommissioning obligations. As of September 13, 2015, AECL has been delivering its mandate through a long-term, contractual arrangement with Canadian National Energy Alliance (CNEA) and Canadian Nuclear Laboratories (CNL) for the management and operation of CNL under a Government-owned, Contractor-operated model.

Prior to September 13, 2015, the primary operations of AECL had been delivered by CNL, which had been operating as a wholly-owned subsidiary of AECL. As part of the transition to the Government-owned, Contractor-operated model, the shares of CNL were transferred from AECL to Canadian National Energy Alliance and CNL became a private-sector organization. CNL employs over 3,450 employees at 12 sites across Canada, with most employees located at the Chalk River Laboratories.

AECL, which is headquartered in Chalk River, Ontario, now works to provide oversight and to monitor performance under the Government-owned, Contractor-operated arrangement to meet Government objectives. It reports to Parliament through the Minister of Natural Resources. As of September 30, 2015, AECL employed 49 people, including a small complement of staff in Oakville, Ontario within its Wrap-Up Office. The Wrap-Up office is responsible for the management of retained liabilities related to AECL’s former Commercial Operations, the assets of which were sold in October 2011 to Candu Energy Inc. as part of the first phase of the restructuring of AECL.

AECL’s objective is to deliver on its mandate under the Government-owned, Contractor-operated model. It provides oversight of three main areas:

1. Science and Technology
   To enable CNL to sustain, develop, apply and build S&T capabilities in a cost-effective manner. This includes CNL’s ability to provide technical services and research and development products in support of: (i) Canada's federal roles, responsibilities and priorities; (ii) commercial services for third parties, and (iii) the other activities of CNL.

2. Decommissioning and Waste Management
   To enable the safe and cost effective reduction of the Government of Canada's radioactive waste liabilities, including associated risks to health, safety, security and the environment, at AECL and other Government of Canada sites. The focus is to enable innovative solutions to infrastructure decommissioning, site remediation and waste management.

3. Site Operations and Capital Investments
   To enable the Government's commitment to site renewal by modernizing AECL infrastructure and enhancing its capabilities to provide safe and world-class nuclear science and technology and other nuclear services.

Achievements for the Second Quarter

The second quarter of 2015-16 was marked by the achievement of an important milestone for AECL: the transfer of the shares of CNL to the selected private-sector contractor, CNEA. With this transfer, CNL became a private-sector organization and AECL officially implemented the Government-owned, Contractor-operated business model. Activities during this quarter were focused on ensuring continuous and safe operations at CNL, while preparing for, and seeing through, the transfer of the shares of CNL. Main achievements include:

Science and Technology

- CNL was awarded a contract worth over $1 million by the Electric Power Research Institute, a non-profit organization that conducts research on issues related to the electric power industry in the United States. Under the agreement, CNL will study flow-induced vibration of steam generator tubes. This contract represents an important inroad for CNL outside the Canadian market and highlights CNL’s expertise in nuclear steam generator life management.

- The SLOWPOKE II reactor in Jamaica reached criticality after the replacement of its core; a project in which CNL played an important role. The core of the reactor was converted from highly enriched uranium – a weapons-grade material – to low enriched uranium. This project was part of the United States-led Global Threat Reduction Initiative and contributed to Canada’s non-proliferation objectives.

- Over 100 researchers and industry stakeholders from around the world gathered at Chalk River Laboratories to exchange ideas and information concerning research, development and deployment of hydrogen-related technologies, and to visit the new state-of-the-art hydrogen laboratory. CNL continues to facilitate collaboration with academic, industry and international organizations in order to advance its science and technology priorities.

- In collaboration with the Technical University of Darmstadt in Germany and the Oak Ridge National Laboratory in the United States, CNL has developed a proof-of-concept, non-invasive technology to analyze complex internal flow patterns using Magnetic Resonance Velocimetry. The innovative new technique has application in the safe and reliable operation of Canada's nuclear power fleet.

- CNL continued to operate the National Research Universal (NRU) reactor safely and reliably during the second quarter. Activities at the NRU allowed for the provision of industrial and medical radioisotopes used for the diagnosis and treatment of life-threatening diseases as well as other research and development opportunities.

Decommissioning and Waste Management

- CNL safely carried out its first shipment of historic fuel to the United States as part of the highly-enriched uranium repatriation project, a milestone that represents the culmination of four years of work in design, licensing, fabrication, commissioning and the operation of a complex suite of equipment and tools. The project is part of the Global Threat Reduction Initiative, an international effort to consolidate highly-enriched uranium inventories in fewer, highly-secured locations around the world. It also aligns with Canada's international commitments concerning nuclear non-proliferation, by providing a safe, secure, timely and permanent solution for the long-term management of these materials.

- CNL finalized the transition of all contracts for the Port Hope Area Initiative from Public Works and Government Services Canada to CNL as part of the transition to the Government-owned, Contractor-operated model. Furthermore, CNL awarded three important contracts, together valued at close to $100 million, that will significantly advance the work for the Port Hope Area Initiative, thereby fulfilling the Government's commitment for the clean-up and long-term, safe management of historic low-level radioactive waste in the municipalities of Port Hope and Clarington, in Ontario. This includes a contract to build the Port Granby long-term waste management facility and remediate the historic low-level radioactive waste in Southeast Clarington.

- CNL continues to make progress in the decommissioning of the Whiteshell Laboratories. This quarter, the Province of Manitoba formally acknowledged that site closure activities of Whiteshell's Underground Research Laboratory fulfilled the necessary regulatory conditions, enabling CNL to terminate the associated land lease with the provincial government.

Site Operations and Capital Infrastructure (includes Health, Safety, Security and the Environment)

- CNL employees achieved over 3 million of working hours without a lost-time injury, as a result of the continuous improvement and efforts to strengthen Return-to-Work practices and processes to ensure the health and well-being of employees.

- CNL issued its Environmental Plan, a document which presents the organization's Environmental Protection Program, its response to new nuclear, environmental, legal and regulatory requirements, and its objectives for continued improvement in environmental performance. Overall, the plan demonstrates CNL's commitment to environmental stewardship in its operations.

- CNL continued to execute a growing capital program in order to revitalize the infrastructure at the Chalk River Laboratories site. This included the continued construction, as per planned timelines and budgets, of its new world-class laboratory complex which will be a state-of-the-art collaborative and inter-disciplinary facility that will enable cutting-edge nuclear research and innovation. Among other accomplishments, CNL successfully completed the demolition and removal of an obsolete facility in preparation for its new Sanitary Sewage Treatment Facility, accelerated the replacement of fumehoods two years ahead of schedule, and is nearing completion of its new Shielded Modular Above Ground Storage building.

Transition to the Government-owned, Contractor-operated Model

- Following the announcement by the Government in June 2015 that it had selected CNEA as the preferred bidder to manage and operate CNL, AECL oversaw the finalization of the contractual arrangement. This included completing a number of administrative requirements, and processing and obtaining the necessary security clearances.

- On September 13, 2015, AECL transferred the shares of CNL to CNEA, thereby successfully completing the restructuring and implementing the Government-owned, Contractor-operated model.

Commercial Operations (Discontinued Operations)

- AECL's Wrap-Up Office continues to address outstanding obligations arising from its Commercial Operations (Discontinued Operations), the assets of which were sold in October 2011. This includes the commercial and legal work required to defend, assert and settle outstanding claims. The Wrap-Up Office also continues to manage its outstanding obligations related to the life extension projects through its subcontractor, Candu Energy Inc.

Financial Overview

- AECL's second quarter financial results reflected a comprehensive loss of $224 million compared to a $226 million comprehensive loss in the same period of the previous year. In both quarters the reported losses were due to the quarterly revaluation of the decommissioning and waste management liability.

  The decommissioning and waste management liability is re-valued quarterly on a discounted or net present value basis using the interest rate in effect at the end of the quarter. When the reference interest rate for discounting decreases, the liability increases. Conversely, when the interest rate for discounting increases, the liability decreases. In both cases, the change in liability impacts AECL's reported net income or net loss, but is a non-cash income or expense and does not impact AECL's funding requirements for the reporting year.

  The interest rate at September 30, 2015 was 0.10% lower than the June 30, 2015 rate while the interest rate at September 30, 2014 was 0.11% lower than the June 30, 2014 rate. As a result, AECL's reported liability increased by $231 million in the second quarter of 2015-16 compared to an increase in the liability of $228 million in the second quarter of 2014-15.

- The Government of Canada provides funding for AECL to advance its priorities and deliver on its planned activities. Funding for the first two quarters of 2015-16 was provided through Parliamentary Appropriations as well as transfers from Natural Resources Canada for the delivery of the Nuclear Legacy Liabilities Program, the Low-Level Radioactive Waste Management Office and the Port Hope Area Initiative. Some of the more significant funded initiatives during the quarter included:

  - $66 million to support ongoing Chalk River site operations and regulatory, health, safety and environmental needs, as well as science and technology activities.
  - $63 million for decommissioning and waste management activities at the Chalk River and Whiteshell sites and environmental remediation programs primarily in Port Hope.
  - $36 million for capital infrastructure renewal.

- Going forward, all funding for AECL to deliver on its mandate and priorities will be provided directly through Parliamentary Appropriations, consistent with the objectives of the restructuring.

- AECL receives Government of Canada support for its activities through the approval of AECL's Corporate Plan by the Governor in Council. As at the date of this Management's Narrative Discussion, the 2015-16 Corporate Plan was not yet approved by the Government of Canada. Aside from the spending on Decommissioning and Waste Management activities being lower than planned, results are generally tracking with the 2015-16 approved budget.

Outlook

- 2015-16 major priorities and deliverables are described in AECL's 2014-15 Annual Financial Report in the "Management's Discussion and Analysis" section. These priorities and deliverables have not materially changed in the first six months of 2015-16.

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 quarter ended September 30, 2015, and should be read in conjunction with the unaudited interim condensed consolidated 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.

Financial Review – Continuing Operations

Financial information included in this category comprises the operation of CNL, which operated as AECL's wholly-owned subsidiary until September 13, 2015, as well as that of AECL as a smaller, repurposed Crown corporation. During the first six months of 2015-16, AECL undertook activities to establish itself as an oversight organization to prepare for the implementation of the Government-owned, Contractor-operated model.

	Three Months Ended September 30,				Six Months Ended September 30,			
($ millions)		**2015**		2014		**2015**		2014
Revenue and Funding								
Revenue	**$**	**27**	$	53	**$**	**46**	$	83
Parliamentary appropriations		**70**		23		**105**		101
Cost recoveries from third parties and other		**6**		5		**11**		10
Decommissioning and waste management funding		**57**		46		**97**		91
Total revenue and funding	**$**	**160**	$	127	**$**	**259**	$	285
Gross margin	**$**	**13**	$	15	**$**	**19**	$	31
Operating expenses	**$**	**75**	$	81	**$**	**157**	$	159
Contractual expenses	**$**	**11**	$	-	**$**	**11**	$	-
Financial expenses	**$**	**53**	$	57	**$**	**103**	$	114
Net income (loss) before Revaluation (loss) gain on decommissioning and waste management provision and other	**$**	**8**	$	(47)	**$**	**(35)**	$	(37)

Revenue

In the second quarter of 2015-16, $27 million in revenue was generated related to isotope sales, commercial technology sales, nuclear waste management, and research and development activities performed for the CANDU Owners Group, compared to $53 million for the same period in 2014-15. On a year-to-date basis (first six months of the year), revenues were $46 million in 2015-16 compared to $83 million in the first six months of 2014-15. The reported decline in the second quarter and year-to-date can be attributed primarily to decreased heavy water sales, and decreased work performed for Candu Energy Inc.

Parliamentary Appropriations

AECL receives Parliamentary Appropriations to deliver on its missions and priorities. AECL recognized $70 million of Parliamentary appropriations in the second quarter of 2015-16, compared to $23 million for the same period in 2014-15. On a year-to-date basis, AECL recognized $105 million of Parliamentary appropriations, compared to $101 million for the same period in 2014-15. The second quarter variance is primarily related to improved net working capital requirements in 2014-15 with increased commercial revenues and higher accounts payable, freeing additional cash and reducing appropriations that would otherwise be required to cover operating expenses.

Cost Recoveries from Third Parties and Other

AECL fulfills Canada's obligations to address historic low-level radioactive wastes through the Low-Level Radioactive Waste Management Office and the Port Hope Area Initiative Management Office. Up to September 13, 2015, when the Government-owned, Contractor-operated model came into effect, AECL undertook those activities on a cost recovery basis for Natural Resources Canada, with the work being delivered by CNL. This is presented as "Cost Recoveries from Third Parties" and includes $6 million in the second quarter of 2015-16 and $11 million for the year-to-date period to support both program offices' initiatives. This level of funding is generally comparable to the same period in the previous fiscal year.

As of September 13, 2015, AECL took over the responsibility of fulfilling the Government's obligations with respect to historic low-level radioactive wastes. Going forward, funding for those activities will be provided directly to AECL through Parliamentary Appropriations.

Decommissioning and Waste Management Funding

AECL addresses the Government's radioactive waste and decommissioning liabilities at AECL sites. Up to September 13, 2015, when the Government-owned, Contractor-operated model came into effect, AECL undertook these activities on a cost recovery basis for Natural Resources Canada (under the auspice of the Nuclear Legacy Liabilities Program), with the work being delivered by CNL. This is presented as "Decommissioning and Waste Management Funding" and includes $57 million in the second quarter of 2015-16 and $97 million on a year-to-date basis. This is generally comparable to the amounts received for the same periods in the previous fiscal year.

Gross Margin

Gross margin decreased from $15 million in the second quarter of 2014-15 to $13 million for the same period in 2015-16. On a year-to-date basis, gross margin decreased from $31 million to $19 million. This decrease stems primarily from the decreased revenues described above.

Operating Expenses and Contractual Expenses

With the transfer of the shares of CNL to CNEA on September 13, 2015, the contractual arrangement with CNEA and CNL came into effect. As a result, for a portion of the second quarter of 2015-16, AECL made payments to the contractor as per the terms of this contractual arrangement. Those, as well as CNL's total operating expenses for the second quarter (when CNL was operating as a wholly-owned subsidiary of AECL), total $86 million in the second quarter of 2015-16, as compared to expenses of a similar nature of $81 million in the second quarter of 2014-15. On a year-to-date basis, operating expenses and contractual expenditures were $168 million in 2015-16 compared to the $159 million of operating costs in 2014-15.

Financial Expenses

Financial expenses primarily include the increase in the net present value of the decommissioning and waste management provision. Financial expenses in the second quarter of 2015-16 of $53 million were lower than the $57 million reported during the same period in 2014-15. On a year-to-date basis, financial expenses were $103 million compared to $114 million in 2014-15. This variance is due to the lower interest rate in effect at 2015 March compared to 2014 March.

Net Income (Loss) Before Revaluation (Loss) Gain on Decommissioning and Waste Management

AECL reported net income before Revaluation (loss) gain on decommissioning and waste management of $8 million in the second quarter compared to a $47 million net loss in the second quarter of 2014-15. On a year-to-date basis, a net loss before Revaluation (loss) gain on decommissioning and waste management of $35 million was reported compared to a net loss of $37 million in 2014-15. The second quarter variances result mainly from the changes in parliamentary appropriations drawn in 2015-16 as described above.

Financial Review – Discontinued Operations

($ millions)	Three Months Ended September 30, 2015	2014	Six Months Ended September 30, 2015	2014
Total revenue	**$ -**	$ -	**$ -**	$ -
Parliamentary appropriations	**$ -**	$ 36	**$ -**	$ 36
Gross margin	**$ -**	$ -	**$ -**	$ -
Operating expenses	**$ 1**	$ (2)	**$ 4**	$ (12)
Net (loss) income from discontinued operations	**$ (1)**	$ 38	**$ (4)**	$ 48

Revenue

Certain life extension projects retained by AECL as at the date of the sale of the Commercial Operations business to Candu Energy Inc. continued to be wound down. As a result, there has been no revenue recorded during the second quarter or year-to-date of 2015-16.

Operating Expenses

Operating expenses include the cost of staff and third-party service providers to address the retained liabilities resulting from the sale of the Commercial Operations business in 2011-12 and costs to support the completion of the Enhanced CANDU Reactor development program. The $16 million increase over the 2014-15 year-to-date is the result of the recovery of insurance proceeds recognized in the first quarter of 2014-15.

Consolidated Cash Flow and Working Capital

	Three Months Ended September 30,		Six Months Ended September 30,	
($ millions)	**2015**	2014	**2015**	2014
Cash from operating activities	**$ 169**	$ 19	**$ 186**	$ 71
Cash used in investing activities	**(34)**	(16)	**(66)**	(33)
Cash				
Increase	**135**	3	**120**	38
Balance at beginning of the period	**61**	84	**76**	49
Balance at end of the period	**$ 196**	$ 87	**$ 196**	$ 87

Overall, AECL's closing cash position for the second quarter of 2015-16 increased to $196 million compared to the balance at the close of the second quarter of 2014-15 of $87 million.

Operating Activities

Operating activities generated a net cash inflow of $169 million in the second quarter of 2015-16, compared to $19 million during the same period in 2014-15. On a year-to-date basis, operating activities resulted in a net cash inflow of $186 million compared to $71 million in the same period the previous year. The second quarter and year-to-date variance is primarily due to receipt of funding late in the second quarter for the anticipated third quarter contractual expenditures to CNL. That funding was treated as Deferred funding.

Investing Activities

Investing activities used cash of $34 million in the second quarter of 2015-16 compared to $16 million used in the same period in 2014-15. On a year-to-date basis, investing activities used cash of $66 million compared to $33 million used in the same period the previous year. These increases are primarily due to the accelerated construction activities for a new laboratory complex at the Chalk River Laboratories site.

Highlights of the Consolidated Balance Sheet

($ millions)	**September 30, 2015**	March 31, 2015	Variance In $	Variance By %
Assets	**$ 1,071**	$ 951	$ 120	13%
Liabilities	**10,371**	10,737	(366)	-3%
Shareholder's deficit	**9,300**	9,786	(486)	-5%

AECL closed the second quarter of 2015-16 with Assets of $1,071 million, which represents a $120 million increase in Assets from March 31, 2015. This variance is mainly the result of increased cash received from Parliamentary appropriations for the anticipated contractual expenditures to CNL that was treated as Deferred funding as described above.

The decrease in Liabilities of $366 million can be attributed primarily to the change in the Decommissioning and waste management provision of $532 million, which mainly resulted from the increase from 2015 March in the interest rate used to estimate the reported liability. This is partly offset by the increase in Deferred funding as described above.

Management of Risks and Uncertainties

Risks and uncertainties are described in AECL's 2014-15 Annual Financial Report under the section "Management's Discussion and Analysis." Risks and uncertainties and risk management practices as noted in the 2014-15 Annual Financial Report have not materially changed in the first six months of 2015-16.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the Treasury Board of Canada "Standard on Quarterly Financial Reports for Crown Corporations," and for such internal controls as Management determines is necessary to enable the preparation of condensed consolidated 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 condensed consolidated quarterly financial statements.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the condensed consolidated quarterly financial statements.

Jon Lundy
Chief Transition Officer
November 27, 2015
Chalk River, Canada

David Smith
Chief Financial Officer
November 27, 2015
Chalk River, Canada

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(thousands of Canadian dollars)	Notes		September 30, 2015		March 31, 2015
Assets					
Current					
Cash		**$**	**196,386**	$	75,912
Trade and other receivables	10		**36,384**		63,067
Current portion of long-term receivables			**31,772**		30,958
Inventory			**7,430**		25,884
			271,972		195,821
Non Current					
Long-term receivables			**52,617**		68,836
Investments held in trust			**47,479**		47,805
Heavy water inventory			**219,140**		221,283
Property, plant and equipment	4		**467,051**		405,769
Intangible assets			**12,770**		11,319
		$	**1,071,029**	$	950,833
Liabilities					
Current					
Trade and other payables	7, 10	**$**	**46,921**	$	117,606
Customer advances and obligations			**2,808**		3,165
Provisions	5, 10		**16,272**		16,784
Current portion of decommissioning and waste management provision	6		**234,800**		229,500
Deferred funding	8		**115,380**		-
Due to Canadian Nuclear Laboratories	11		**49,525**		-
Restructuring provision	10		**2,972**		3,090
			468,678		370,145
Non Current					
Decommissioning and waste management provision	6		**9,207,772**		9,744,713
Deferred capital funding	8		**438,176**		372,175
Deferred decommissioning and waste management funding			**232,761**		220,510
Employee benefits	7		**23,955**		29,144
			10,371,342		10,736,687
Shareholder's deficit					
Share capital			**15,000**		15,000
Contributed capital			**191,058**		207,763
Deficit			**(9,506,371)**		(10,008,617)
			(9,300,313)		(9,785,854)
		$	**1,071,029**	$	950,833
Commitments, Contingencies and Obligations	13				

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(thousands of Canadian dollars)	Notes	Three Months Ended September 30, **2015**	Three Months Ended September 30, 2014	Six Months Ended September 30, **2015**	Six Months Ended September 30, 2014
Continuing Operations					
Revenue		**$ 26,699**	$ 52,851	**$ 46,334**	$ 83,280
Cost of sales		**13,838**	37,937	**27,431**	52,726
Gross margin		**12,861**	14,914	**18,903**	30,554
Other funding	8	**63,192**	50,749	**108,542**	100,943
Operating expenses		**75,414**	81,093	**156,572**	159,072
Contractual expenses	11	**11,090**	-	**11,090**	-
Operating loss		**(10,451)**	(15,430)	**(40,217)**	(27,575)
Financial income	9	**1,375**	1,725	**2,809**	3,304
Financial expenses	9	**53,179**	56,600	**103,147**	113,654
Net loss before Parliamentary appropriations and Revaluation (loss) gain on decommissioning and waste management provision and other		**$ (62,255)**	$ (70,305)	**$ (140,555)**	$ (137,925)
Parliamentary appropriations	8	**70,397**	23,494	**105,354**	100,966
Net income (loss) before Revaluation (loss) gain on decommissioning and waste management provision and other		**$ 8,142**	$ (46,811)	**$ (35,201)**	$ (36,959)
Revaluation (loss) gain on decommissioning and waste management provision and other	6	**(231,090)**	(217,208)	**541,021**	(556,928)
Net (loss) income from continuing operations before discontinued operations		**$ (222,948)**	$ (264,019)	**$ 505,820**	$ (593,887)
Discontinued Operations (Note 10)					
Operating (loss) income from discontinued operations	10	**(1,323)**	1,710	**(3,574)**	12,267
(Loss) income from discontinued operations before Parliamentary appropriations		**(1,323)**	1,710	**(3,574)**	12,267
Parliamentary appropriations for discontinued operations	8	**-**	36,100	**-**	36,100
Net (loss) income from discontinued operations		**$ (1,323)**	$ 37,810	**$ (3,574)**	$ 48,367
Net (loss) income		**$ (224,271)**	$ (226,209)	**$ 502,246**	$ (545,520)
Other comprehensive (loss) income					
Items that will not be reclassified to profit and loss:					
Other employee benefit plan actuarial (loss) gain		**-**	-	**-**	-
Other comprehensive (loss) income		**-**	-	**-**	-
Comprehensive (loss) income		**$ (224,271)**	$ (226,209)	**$ 502,246**	$ (545,520)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Changes in Shareholder's Deficit (Unaudited)

(thousands of Canadian dollars)

For the three months ended September 30, 2015

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at June 30, 2015	**$ 15,000**	**$ 199,877**	**$ (9,282,100)**	**$ (9,067,223)**
Net loss attributable to Shareholder for the period	-	-	(224,271)	(224,271)
Other comprehensive loss	-	-	-	-
Comprehensive loss	-	-	(224,271)	(224,271)
Transfer to deferred decommissioning and waste management funding	-	(6,320)	-	(6,320)
Transfer to repayable contributions	-	(2,499)	-	(2,499)
Balance at September 30, 2015	**$ 15,000**	**$ 191,058**	**$ (9,506,371)**	**$ (9,300,313)**

For the three months ended September 30, 2014

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at June 30, 2014	**$ 15,000**	**$ 228,724**	**$ (8,062,457)**	**$ (7,818,733)**
Net income attributable to Shareholder for the period	-	-	(226,209)	(226,209)
Other comprehensive loss	-	-	-	-
Comprehensive loss	-	-	(226,209)	(226,209)
Transfer to deferred decommissioning and waste management funding	-	(6,320)	-	(6,320)
Transfer to repayable contributions	-	(825)	-	(825)
Balance at September 30, 2014	**$ 15,000**	**$ 221,579**	**$ (8,288,666)**	**$ (8,052,087)**

For the six months ended September 30, 2015

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at March 31, 2015	**$ 15,000**	**$ 207,763**	**$ (10,008,617)**	**$ (9,785,854)**
Net loss attributable to Shareholder for the period	-	-	502,246	502,246
Other comprehensive loss	-	-	-	-
Comprehensive loss	-	-	502,246	502,246
Transfer to deferred decommissioning and waste management funding	-	(12,251)	-	(12,251)
Transfer to repayable contributions	-	(4,454)	-	(4,454)
Balance at September 30, 2015	**$ 15,000**	**$ 191,058**	**$ (9,506,371)**	**$ (9,300,313)**

For the six months ended September 30, 2014

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at March 31, 2014	**$ 15,000**	**$ 235,628**	**$ (7,743,146)**	**$ (7,492,518)**
Net income attributable to Shareholder for the period	-	-	(545,520)	(545,520)
Other comprehensive income	-	-	-	-
Comprehensive income	-	-	(545,520)	(545,520)
Transfer to deferred decommissioning and waste management funding	-	(12,251)	-	(12,251)
Transfer to repayable contributions	-	(1,798)	-	(1,798)
Balance at September 30, 2014	**$ 15,000**	**$ 221,579**	**$ (8,288,666)**	**$ (8,052,087)**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Interim Condensed Consolidated Cash Flow Statements
(Unaudited)

(thousands of Canadian dollars)	Three Months Ended September 30, 2015	2014	Six Months Ended September 30, 2015	2014
Operating activities				
Cash receipts from customers	**$ 41,779**	$ 128,290	**$ 98,220**	$ 188,601
Cash receipts from Parliamentary appropriations	**216,726**	74,243	**286,726**	162,243
Cash receipts for decommissioning and waste management activities	**62,170**	37,758	**109,064**	83,031
Cash paid to suppliers and employees	**(94,704)**	(175,856)	**(210,897)**	(271,248)
Cash paid for decommissioning activities	**(57,030)**	(45,812)	**(97,472)**	(91,439)
Interest received on investments (net)	**182**	140	**369**	266
Interest and bank charges paid	**(34)**	(7)	**(47)**	(17)
Cash from operating activities	**169,089**	18,756	**185,963**	71,437
Thereof from discontinued operations	**(4,391)**	20,168	**(8,595)**	25,732
Investing activities				
Acquisition of property, plant and equipment and intangible assets	**(34,038)**	(15,311)	**(65,489)**	(33,458)
Cash used in investing activities	**(34,038)**	(15,311)	**(65,489)**	(33,458)
Thereof from discontinued operations	**-**	-	**-**	-
Cash:				
Increase	**135,051**	3,445	**120,474**	37,979
Balance at beginning of the period	**61,335**	83,713	**75,912**	49,179
Balance at end of the period	**$ 196,386**	$ 87,158	**$ 196,386**	$ 87,158

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

1. The Corporation

Atomic Energy of Canada Limited (AECL) is a federal Crown corporation whose mandate is to fulfil the Government's waste and decommissioning responsibilities, provide nuclear expertise to support federal roles and responsibilities, and offer services to users of the Nuclear Laboratories on commercial terms. AECL delivers its mandate through a long-term contract with Canadian National Energy Alliance (CNEA) for the management and operation of Canadian Nuclear Laboratories (CNL) under a Government-owned, Contractor-operated model. This contract came into effect on September 13, 2015. Prior to this date, CNL operated as a wholly-owned subsidiary of AECL.

AECL also manages the retained liabilities associated with its Commercial Operations (Discontinued Operations), which were sold to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin, on October 2, 2011.

AECL was incorporated in 1952 under the provisions of the *Canada Corporations Act* (and continued in 1977 under the provisions of the *Canada Business Corporations Act*), pursuant to the authority and powers of the Minister of Natural Resources under the *Nuclear Energy Act*.

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

AECL is domiciled in Canada and its address is Chalk River Laboratories, Chalk River, Ontario, K0J 1J0.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by AECL's Board of Directors on November 19, 2015.

2. Restructuring and Corporate Plan

The Government of Canada has restructured AECL to reduce risks and costs to Canadian taxpayers. The first phase of the restructuring was completed in 2011 with the sale of AECL's CANDU Reactor Division (Commercial Operations) to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin. As a result, AECL's commercial operations have been presented as discontinued operations in its financial reporting (see Note 10).

The second phase of the restructuring focused on AECL's Nuclear Laboratories, with the objective of implementing a Government-owned, Contractor-operated business model. As part of the implementation of this model, AECL incorporated a wholly-owned subsidiary, CNL. In November 2014, virtually all of AECL's employees were transferred to CNL, and CNL became the operator of the Nuclear Laboratories. AECL proceeded to establish itself as a small organization to manage the contractual arrangement under this model.

In June 2015, following a procurement process led by Natural Resources Canada and Public Works and Government Services Canada, the Government of Canada announced that CNEA had been selected as the preferred bidder to manage and operate CNL. The contract with CNEA came into effect on September 13, 2015, and the shares of CNL were transferred from AECL to CNEA. With this last step, the restructuring of AECL is now complete. Upon transferring the shares, AECL recorded a loss of $2.8 million in Operating expenses in the unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss) associated with the investment in CNL.

Given this restructuring process, AECL has not yet submitted its 2015-16 to 2019-20 Corporate Plan. It will do so in the coming months, and the plan will reflect AECL's new role under the Government-owned, Contractor-operated model.

3. Basis of Preparation

a) Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34. As permitted under IAS 34, these unaudited interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements, and should be read in conjunction with AECL's audited consolidated financial statements for its fiscal year ended March 31, 2015.

AECL's unaudited interim condensed consolidated financial statements have been prepared based on International Financial Reporting Standards (IFRS) issued and effective as of the balance sheet date.

b) Basis of Presentation

AECL's unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments, which are measured at fair value, and Employee benefits and the Decommissioning and waste management provision, which are measured based on the discounted value of expected future cash flows.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is AECL's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except where otherwise indicated.

c) Basis of Consolidation

Subsidiaries are entities controlled by AECL. The financial statements of subsidiaries are included in AECL's financial statements from the date that control commences until the date that control ceases.

These unaudited interim condensed consolidated financial statements include the accounts of AECL's wholly-owned subsidiaries, Canadian Nuclear Laboratories, incorporated in Canada in 2014 (for the period up to September 13, 2015), AECL Technologies Inc., incorporated in the state of Delaware, U.S.A. in 1988; AECL Technologies B.V., incorporated in the Netherlands in 1995; and its interest in AECL's Nuclear Fuel Waste Act Trust Fund, a structured entity (as defined in Note 4(a) of AECL's audited annual consolidated financial statements for its fiscal period ended March 31, 2015). All inter-company transactions have been eliminated upon consolidation.

d) Critical Accounting Estimates, Assumptions and Judgments

The preparation of financial statements in conformity with IAS 34 guidelines requires the use of certain critical accounting estimates and assumptions. It also requires Management to exercise its judgment in the process of applying AECL's accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3(c) of AECL's audited annual consolidated financial statements for the year ended March 31, 2015.

e) Significant Accounting Policies

Significant accounting policies applied in these unaudited interim condensed consolidated financial statements are disclosed in Note 4 of AECL's audited annual consolidated financial statements for the year ended March 31, 2015. The accounting policies have been applied consistently to the current and comparative quarters.

4. Property, Plant and Equipment

(thousands of Canadian dollars)	**September 30, 2015**	March 31, 2015
Balance - Beginning of period	**$ 405,769**	$ 335,789
Additions and transfers	**77,215**	116,761
Disposals and transfers	**(4,596)**	(33,950)
Other changes	**(1,297)**	7,903
Depreciation	**(10,040)**	(19,489)
Impairment	**-**	(1,245)
Balance - End of period	**$ 467,051**	$ 405,769

5. Provisions

(thousands of Canadian dollars)	**September 30, 2015**	March 31, 2015
Contractual	**$ 5,025**	$ 5,025
Other provisions	**11,247**	11,759
	$ 16,272	$ 16,784

6. Decommissioning and Waste Management Provision

(thousands of Canadian dollars)	**September 30, 2015**	March 31, 2015
Carrying amount - Beginning of period	**$ 9,744,713**	$ 7,535,142
Carrying amount - Beginning of period, current portion	**229,500**	214,500
Liabilities settled	**(97,581)**	(199,978)
Unwinding of discount	**102,821**	222,122
Effect of change in discount rate	**(541,021)**	2,114,073
Revision in estimate and timing of expenditures	**-**	71,592
Revision in estimate and timing of expenditures affecting Property, plant and equipment	**(1,297)**	7,903
Waste, decommissioning and site restoration costs from ongoing operations	**5,437**	8,859
Carrying amount - End of period	**9,442,572**	9,974,213
Less current portion	**(234,800)**	(229,500)
	$ 9,207,772	$ 9,744,713

The Revaluation (loss) gain reported on the Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss) is comprised of the effect of the change in discount rate and the revision in estimate and timing of expenditures reported above.

The undiscounted future expenditures, adjusted for inflation, for the plan projects comprising the liability are $17,973.4 million (March 31, 2015 – $18,063.9 million). The provision is re-valued at the current discount rate in effect at each balance sheet date.

The provision as at September 30, 2015 was discounted using a rate of 2.21%. The opening balance as at March 31, 2015 was discounted using a rate of 1.99%.

The effect of a change in the interest rate on the provision is recognized in Revaluation (loss) gain on decommissioning and waste management provision and other in the Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss). The total charge, relating to the interest rate change, for the second quarter was $231,090 (Q2 2014-15: $218,117) and for the year-to-date was a $541,021 gain (year-to-date 2014-15: $556,219 charge).

7. Employee 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 of $7.0 million (Q2 2014-15: $7.7 million) were recognized as an expense in the quarter and for the year-to-date contributions of $15.4 million (year-to-date 2014-15: $16.2 million) were recognized as an expense.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. 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) Employee Benefits

AECL provides certain voluntary termination compensation (VTC) and other post-employment benefits as described in Note 4(m) of the annual audited consolidated financial statements dated March 31, 2015. The defined benefit obligation is funded as benefits are paid. Accordingly, there are no plan assets and the defined plan deficit is equal to the defined benefit obligation of $27.4 million (March 31, 2015: $32.9 million) of which $24.0 million (March 31, 2015: $29.1 million) is recorded as Employee benefits under long-term liabilities, and $3.4 million (March 31, 2015: $3.8 million) is recorded as Trade and other payables.

The VTC included in the reported Employee benefits liability is $15.0 million (March 31, 2015: $15.0 million) and is payable in instances of future voluntary resignations and retirements. An estimate of the amounts expected to be paid in 2015-16 is based on AECL's most recent actuarial valuation and is included in Trade and other payables.

AECL's total expense for employee benefits was $1.4 million for this quarter (Q2 2014-15: $0.9 million). On a year-to-date basis, the total expense for employee benefits was $2.3 million (year-to-date 2014-15: $2.3 million).

8. Funding

a) Parliamentary Appropriations

AECL segregates its Parliamentary appropriations, which include Statutory Funding, to ensure funds are spent in a manner consistent with the basis for which they were approved. Approved Main Estimates and Supplementary Estimates include amounts for the operations of the Nuclear Laboratories, including the safe operations of the Chalk River Laboratories. Statutory Funding relates to amounts associated with obligations pursuant to the divestiture of the Commercial Operations business.

For the three and six months ended September 30, 2015, Parliamentary appropriations were received and recognized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
(thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Parliamentary appropriations - Nuclear Laboratories, operating				
Nuclear Laboratories, operating	**$ 65,844**	$ 19,724	**$ 96,468**	$ 93,527
Amortization of deferred capital funding	**4,553**	3,770	**8,886**	7,439
Parliamentary appropriations - Nuclear Laboratories, operating	**70,397**	23,494	**105,354**	100,966
Parliamentary appropriations - Discontinued Operations, operating	**-**	36,100	**-**	36,100
Parliamentary appropriations - capital				
Capital infrastructure refurbishment	**35,502**	18,419	**74,878**	32,616
Total Parliamentary appropriations	**$ 105,899**	$ 78,013	**$ 180,232**	$ 169,682

In Q2 2015-16, AECL received $226 million and recognized a sum of $106 million (Q2 2014-15: $74 million received and $78 million recognized). On a year-to-date basis, AECL received $296 million and recognized $180 million in Parliamentary appropriations (year-to-date 2014-15: $162 million received and $170 million recognized).

The differences between received and recognized Parliamentary appropriations relate to amounts recorded as Deferred funding, the portion of appropriations recorded as Other funding, and the recording of Amortization of deferred capital funding. Capital funding is received as funds are required but is recognized simultaneously with the depreciation of the related asset in AECL's Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss). The difference between received and recognized Parliamentary appropriations are detailed as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
(thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Differences between received and recognized Parliamentary appropriations				
Deferred funding	**$ 115,380**	$ -	**$ 115,380**	$ -
Amortization of deferred capital funding	**(4,553)**	(3,770)	**(8,886)**	(7,439)
Appropriations recorded as Other funding	**8,854**	-	**8,854**	-
Differences between received and recognized Parliamentary appropriations	**$ 119,681**	$ (3,770)	**$ 115,348**	$ (7,439)

There were no Parliamentary appropriations receivable as at September 30, 2015.

b) Other Funding

Other funding was recognized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
(thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Operating funding				
Cost recoveries from third parties and other	**$ 6,267**	$ 5,132	**$ 11,170**	$ 9,553
Decommissioning and waste management	**56,925**	45,617	**97,372**	91,390
	$ 63,192	$ 50,749	**$ 108,542**	$ 100,943

c) Deferred Capital Funding

Deferred capital funding arises from Government appropriations used by AECL for capital investments. The reported balances are derived as follows:

(thousands of Canadian dollars)		**September 30, 2015**
Deferred capital funding		
Deferred capital funding as at March 31, 2015	**$**	**372,175**
Capital funding received during the period		**74,878**
Amortization of Deferred capital funding		**(8,886)**
Other changes		**9**
Deferred capital funding as at September 30, 2015	**$**	**438,176**

(thousands of Canadian dollars)		March 31, 2015
Deferred capital funding		
Deferred capital funding as at March 31, 2014	$	302,997
Capital funding received		85,261
Amortization of Deferred capital funding		(16,083)
Deferred capital funding as at March 31, 2015	$	372,175

9. Financial Income and Expenses

	Three Months Ended September 30,				**Six Months Ended September 30,**			
(thousands of Canadian dollars)		**2015**		2014		**2015**		2014
Financial income								
Interest on long-term receivables	**$**	**1,193**	$	1,585	**$**	**2,440**	$	3,038
Interest on investments and other		**182**		140		**369**		266
	$	**1,375**	$	1,725	**$**	**2,809**	$	3,304
Financial expenses								
Unwinding of discount on decommissioning and waste management provision net of trust fund income	**$**	**53,179**	$	56,600	**$**	**103,147**	$	113,654

10. Discontinued Operations

On October 2, 2011, the Government of Canada sold AECL's Commercial Operations to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin, at which point Candu Energy Inc. assumed full ownership and day-to-day operational control over the Commercial Operations.

The sale involved certain AECL-owned assets to Candu Energy Inc. and an exchange of undertakings among the three parties (AECL, SNC-Lavalin and the Government of Canada). A Restructuring provision was recorded for $36.5 million, of which $33.5 million has been paid as of September 30, 2015 (March 31, 2015: $33.4 million) and $3.0 million remained to complete the process (March 31, 2015: $3.1 million).

The entire Commercial Operations are considered a discontinued operation. Income and cash flows for the Commercial Operations (Discontinued Operations) are reported separately in these unaudited interim condensed consolidated financial statements in accordance with IFRS 5.

Results of Discontinued Operations

	Three Months Ended September 30,		Six Months Ended September 30,	
(thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Revenue	**$ -**	$ (1)	**$ 3**	$ 2
Cost of sales	**-**	(4)	**-**	9
Gross margin	**-**	3	**3**	(7)
Operating expenses	**1,323**	(1,707)	**3,577**	(12,274)
Operating income from discontinued operations	**$ (1,323)**	$ 1,710	**$ (3,574)**	$ 12,267

The following balances included in the Unaudited Interim Condensed Consolidated Balance Sheets relate to ongoing projects and restructuring costs included in Discontinued Operations:

(thousands of Canadian dollars)	**September 30, 2015**	March 31, 2015
Assets		
Trade and other receivables	**$ 3**	$ -
Liabilities		
Trade and other payables	**$ 1,141**	$ 4,384
Customer advances and obligations	**-**	90
Provisions	**16,147**	16,659
Restructuring provision	**2,972**	3,090

11. Contractual Arrangement

As of September 13, 2015, AECL has been delivering its mandate through a long-term contract with CNEA for the management and operation of CNL under a Government-owned, Contractor-operated model. Prior to this date, CNL operated as a wholly-owned subsidiary of AECL.

Under the Government-owned, Contractor-operated model, the assets, sites and facilities continue to be owned by AECL, but are being managed and operated by a private-sector company. As such, AECL makes payments to CNL and the contractor ("Contractual amounts paid or payable") as per the terms of the contractual arrangement.

The following contractual expenditures were incurred:

	Three Months Ended September 30,		Six Months Ended September 30,	
(thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Contractual amounts paid or payable	**$ 25,533**	$ -	**$ 25,533**	$ -
Less: Costs charged to Decommissioning and waste management provision (see Note 6)	**(7,437)**	-	**(7,437)**	-
Less: Costs charged to Construction in progress	**(4,581)**	-	**(4,581)**	-
Less: Costs classified as Cost of sales	**(2,425)**	-	**(2,425)**	-
Contractual expenses	**$ 11,090**	$ -	**$ 11,090**	$ -

Contractual amounts paid or payable include all allowable expenses of CNL as well as fees paid to the contractor, in accordance with the long-term contractual arrangement between AECL and CNEA and CNL.

The balance due to CNL at September 30, 2015 was $49.5 million and represents funding owing for allowable costs incurred by CNL.

The CNL balances included in AECL's Consolidated Balance Sheets at March 31, 2015 are as follows:

(thousands of Canadian dollars)	**March 31, 2015**
Assets	
Cash	**$ 8,700**
Trade and other receivables	**7,216**
Inventory	**18,196**
Liabilities	
Trade and other payables	**$ 68,107**
Employee benefits	**3,308**

12. Financial Instruments and Financial Risk Management

Financial assets and liabilities

Financial assets and financial liabilities in the Unaudited Interim Condensed Consolidated Balance Sheets were as follows:

(thousands of Canadian dollars)	**Assets at fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Total**
September 30, 2015				
Cash	**$ -**	**$ 196,386**	**$ -**	**$ 196,386**
Investments held in trust	**47,479**	**-**	**-**	**47,479**
Trade and other receivables	**-**	**36,384**	**-**	**36,384**
Long-term receivables	**-**	**84,389**	**-**	**84,389**
Trade and other payables	**-**	**-**	**(46,921)**	**(46,921)**
Customer advances and obligations	**-**	**-**	**(2,808)**	**(2,808)**
Total	**$ 47,479**	**$ 317,159**	**$ (49,729)**	**$ 314,909**

(thousands of Canadian dollars)	**Assets at fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Total**
March 31, 2015				
Cash	$ -	$ 75,912	$ -	$ 75,912
Investments held in trust	47,805	-	-	47,805
Trade and other receivables	-	63,067	-	63,067
Long-term receivables	-	99,794	-	99,794
Trade and other payables	-	-	(117,606)	(117,606)
Customer advances and obligations	-	-	(3,165)	(3,165)
Total	$ 47,805	$ 238,773	$ (120,771)	$ 165,807

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Except for Long-term receivables, the carrying value of all financial assets and financial liabilities approximates fair value as at September 30, 2015 and March 31, 2015, due to their short-term nature. The fair value of the long-term portion of the long-term receivables is $54 million (March 31, 2015: $72 million) and is estimated by calculating a discounted cash flow using the long-term interest rate in effect at the end of the reporting period (Level 2). The long-term interest rate is based on the Government of Canada’s long term benchmark bond yields adjusted for market and credit risk.

Fair value hierarchy

The following table analyzes financial instruments measured at fair value, by valuation method. The Corporation uses the following hierarchy to classify fair value measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of levels 1, 2, and 3. For the reporting periods ended September 30, 2015 and March 31, 2015, there were no transfers between levels.

	September 30, 2015				March 31, 2015			
(thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Investments held in trust - Cash equivalents	**$ 18**	**$ -**	**$ -**	**$ 18**	$ 1,187	$ -	$ -	$ 1,187
Investments held in trust - Bonds	**-**	**47,461**	**-**	**47,461**	-	46,618	-	46,618
Total assets	**$ 18**	**$ 47,461**	**$ -**	**$ 47,479**	$ 1,187	$ 46,618	$ -	$ 47,805

There are no financial liabilities measured at fair value.

Risk factors

AECL's financial instruments are exposed to the same risk as disclosed in its audited annual consolidated financial statements for the year ended March 31, 2015.

13. Commitment and Contingency

As part of the sale of AECL's Commercial Operations, the Government of Canada, through AECL, agreed to provide Candu Energy Inc. with up to $75 million to support the completion of the Enhanced CANDU Reactor development program. As at September 30, 2015, $75 million (Q2 2014-15: $73 million) of this amount had been expensed and paid by AECL. Additionally, under certain conditions outlined in the contract with Candu Energy Inc., AECL may be responsible for reimbursing Candu Energy Inc. for certain costs.

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