



ATOMIC ENERGY OF CANADA LIMITED

Third Quarter Financial Report

Financial Statements (Unaudited)

**As at and for the three and nine months ended
December 31, 2018 and December 31, 2017**

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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



We are continuing to make progress on multiple fronts to deliver on our mandate. In nuclear science and technology, we are coordinating the needs of thirteen federal departments and agencies to align research and development activities in the areas of health, nuclear safety and security, energy and the environment. The work delivered by Canadian Nuclear Laboratories, on behalf of AECL, goes beyond nuclear energy – it has real applications for the safety of our borders, the health of Canadians and the protection of our environment.

One of the key initiatives being pursued by AECL and CNL relates to Small Modular Reactors (SMRs). Indeed, in its long-term plan, which was approved by AECL, CNL has stated its objective to bring a demonstration SMR to one of AECL's sites by 2026. The idea is not to build our own technology, but rather, to leverage the site, facilities, expertise and private-sector interest to become a platform for private-sector demonstration of their technologies. We would leverage the expertise and capabilities at CNL and bring broader benefits to Canada including advancing nuclear science and innovation, and building CNL's expertise and international standing, with long-term benefits for Canada's supply chain and clean energy mix.

Activities in that area are very well aligned with the Canadian SMR Roadmap, which was published during the third quarter of 2018-19. The Roadmap was developed by interested provinces, territories, power utilities, Indigenous communities and other stakeholders, which had been convened by Natural Resources Canada. Following a 10-month engagement process with the industry and potential end-users, including Indigenous and northern communities and heavy industry, the Roadmap presented over 50 recommendations in areas such as waste management, regulatory readiness and international engagement. It also highlighted the need for ongoing engagement with civil society, northern and Indigenous communities and environmental organizations. Specifically on demonstration technologies, the SMR Roadmap Steering Committee recommended that "Governments, utilities, industry, and the national laboratory support demonstration of SMR technologies, preferably more than one, at appropriate sites in Canada." We agree and think that AECL and CNL are well placed to advance this for the benefit of Canada and Canadians.

On other fronts, clean-up activities continued at the Port Hope Area Initiative (Ontario), with ongoing remediation of residential sites, and continued waste placement in long-term waste management facilities, which are near surface containment mounds similar to that being proposed for the Chalk River site. CNL also continued to advance environmental remediation projects during the quarter, including planning for a near surface disposal facility at the Chalk River Laboratories (Ontario), and the in situ disposal of the WR-1 reactor at Whiteshell Laboratories (Manitoba) and the Nuclear Power Demonstration Reactor site (Ontario).

Real progress in cleaning up contaminated lands at the Chalk River site can only take place if we have a safe and appropriate place to dispose of the radioactive waste. CNL has put forward proposals for the disposal of our waste, which are undergoing Environmental Assessments. We know that members of

the public have questions on some of the projects being proposed, and we continue to pay careful attention to engaging with, and listening to local stakeholders and Indigenous communities. We have a responsibility to protect the environment, and we believe that we share this goal with all concerned.

A handwritten signature in black ink, reading "Richard J. Sexton". The signature is written in a cursive, flowing style.

Richard J. Sexton

President and Chief Executive Officer

MANAGEMENT'S NARRATIVE DISCUSSION

Introduction

Management's Narrative Discussion is intended to provide the reader with a greater understanding of AECL's business, its business strategy and performance, its expectations for the future, and its management of risk and capital resources. It is also intended to enhance the understanding of the unaudited financial statements for the third quarter of 2018-19 and accompanying notes. Management's Narrative Discussion should therefore be read in conjunction with these documents.

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

Management's Narrative Discussion was authorized for issuance by the Board of Directors on February 27, 2019.

Our Business

AECL is a federal Crown corporation that has a mandate to enable nuclear science and technology and to protect the environment by fulfilling the Government of Canada's radioactive waste and decommissioning responsibilities. AECL receives funding from the Government of Canada and earns commercial revenues to deliver on its mandate. As a federal Crown corporation, AECL reports to Parliament through the Minister of Natural Resources.

AECL delivers its mandate through a long-term, contractual arrangement with Canadian Nuclear Laboratories (CNL) for the management and operation of its sites under a Government-owned, Contractor-operated model. Under this model, AECL retains ownership of the sites, facilities, intellectual property and liabilities. CNL, a private-sector organization, manages AECL's sites and facilities on a day-to-day basis under a contract with AECL.

The Government-owned, Contractor-operated model allows AECL to leverage the expertise and experience of the private sector to accelerate the decommissioning and radioactive waste management program and build a world-class nuclear laboratory at Chalk River that fulfills Government requirements, while reducing costs and risks to Canada. As an agent of Government, AECL brings value to Canada by overseeing the Government-owned, Contractor-operated arrangement and supporting the Government's development of nuclear policy. AECL plays a challenge function with a view to advancing its priorities in the most effective and efficient manner, whilst maintaining the highest priority on safety, security and protection of the environment.

A key element of AECL's role under the GoCo model is to set priorities for CNL, and to oversee and assess its performance in order to provide value for Canada. In other words, AECL sets out "What" needs to be achieved with CNL deciding "How" it is best executed. This is achieved by AECL having a small organization, staffed by experts, providing oversight of the GoCo agreements.

There are two main areas of focus:

1. Environmental Stewardship (Decommissioning and Waste Management)

The objective is to safely and responsibly address the environmental responsibilities and liabilities which have resulted from legacy activities at AECL sites. This requires the decontamination and decommissioning of redundant structures and buildings, the remediation of contaminated lands and the management and disposal of radioactive waste at AECL sites, primarily at the Chalk River Laboratories and the Whiteshell Laboratories in Manitoba. AECL is also responsible for the remediation and long-term management of sites contaminated with historic, low-level radioactive waste where the Government of Canada has accepted responsibility, most notably as part of the Port Hope Area Initiative. Responsible decommissioning and radioactive waste management is necessary in order 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.

2. Nuclear Laboratories

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

Sites under the responsibility of AECL across Canada



On behalf of AECL, CNL manages and operates several sites across Canada including the Chalk River Laboratories

Third Quarter Highlights for 2018-19

Environmental Stewardship (Decommissioning and Waste Management)

AECL has been conducting nuclear science and technology activities for decades. While these activities have had important benefits for Canada and Canadians – for example the production of medical isotopes used in the detection and treatment of cancer – they also produced radioactive waste. AECL has various types of radioactive waste at its sites, including high-level waste (used fuel), intermediate-

level waste and low-level waste. Several sites and/or buildings have also been contaminated as a result of nuclear science and technology activities and past waste management practices; these now need to be decontaminated and demolished, sites cleaned up and remediated, and the radioactive waste managed properly and safely.

AECL is also responsible for fulfilling Canada's responsibilities with respect to historic low-level waste at sites where the original owner no longer exists or another party cannot be held liable and for which the Government has accepted responsibility. This includes the cleanup and safe long-term management of historic, low-level radioactive waste in the municipalities of Port Hope and Clarington, in Ontario pursuant to an agreement between Canada and the municipalities.

AECL's objective is to protect the environment by advancing key decommissioning, remediation and waste management projects in order to address risks and hazards. With the implementation of the GoCo model, AECL was given a mandate to accelerate these activities, in order to reduce risks and costs for Canada, in a safe manner, consistent with international leading practices. Specifically, AECL has asked CNL to propose projects to dispose of radioactive wastes and to advance other decommissioning activities in order to reduce its environmental liabilities.

This work is well underway, with significant progress having been made at the Chalk River Laboratories where already more than 65 structures and facilities have been demolished. This not only reduces AECL's environmental liabilities and overall site maintenance costs, but it also provides the required space for new facilities to be constructed as part of the site's revitalization.

The resulting contaminated materials, demolition debris, and waste from contaminated lands will need to be disposed of in a purpose-built, engineered facility. CNL has proposed to build a Near Surface Disposal Facility at the Chalk River site, to responsibly and safely dispose of AECL's low-level radioactive waste. Near surface disposal is an internationally-accepted and proven method of permanently disposing of low-level radioactive waste. The radioactive waste intended for the disposal facility is either currently stored on site, will be created as a result of land remediation and decommissioning activities at the Chalk River site and other smaller AECL sites across Canada, or will be produced as nuclear science and technology activities continue to be performed at the Chalk River site in the coming decades. It is also expected that a small percentage of radioactive waste to be disposed in the facility, will come from hospitals and universities (as a result, for example, of nuclear medicine activities).

Notable accomplishments in the area of environmental stewardship for the third quarter of 2018-19 are presented below.

As per previous quarters, CNL continued its engagement activities with stakeholders, including site tours and information sessions, as well as outreach to, and meetings with, Indigenous groups on the proposed Near Surface Disposal Facility at the **Chalk River site**, in order to provide information and obtain input. CNL has also been reviewing, reflecting on, and responding to the questions that it received on its proposal as part of the Environmental Assessment process. CNL is taking the time to review all questions received from the public, Indigenous groups, the Canadian Nuclear Safety Commission and other regulators, and is preparing responses in order to address them and, as

appropriate, adjust its approach. CNL also continued its technical analysis of the facility, and has been working with Indigenous groups to support traditional knowledge studies.

In the interim, CNL continued to expand temporary storage of low-level radioactive waste in order to allow for the ongoing building decommissioning to proceed at the Chalk River site. To date in the 2018-19 fiscal year, 10 buildings were demolished. Furthermore, CNL has commenced work to expand one of the waste management areas in preparation for waste which will be received from other AECL sites. The objective is to consolidate waste in one location in order to reduce risks and site maintenance costs.

Also at the Chalk River Laboratories, CNL completed, ahead of schedule, the transfer of stored fuel to the new Fuel Packaging & Storage Facility where the fuel is being dried in preparation for its long term storage. This facility is used to safely store used fuel transferred from existing below-ground storage, which has degraded over the years, to a new, state-of-the-art storage facility. This initiative allows for the continued, safe management of used fuel, while a permanent disposal solution is being developed by the Nuclear Waste Management Organization.

Another key project currently underway concerns the repatriation of highly-enriched uranium to the United States. The material was used at the Chalk River Laboratories, most notably in the production of the medical isotope Molybdenum-99. This material requires high levels of security, as well as costly and complicated storage. As part of the Global Threat Reduction Initiative (an initiative which aims at reducing proliferation risks by consolidating highly-enriched uranium inventories in fewer locations around the world), AECL is working with the United States Department of Energy and CNL to return (repatriate) this material to the United States for conversion and reuse. This initiative provides for a safe, secure, timely and permanent solution to Canada's long-term management of this material. Shipments of fuel rods containing highly-enriched uranium, as well as shipments of target-residue material, to the Savannah River site in the United States continued to be safely completed during the third quarter of 2018-19 as planned.

In Manitoba, work continued to decommission the **Whiteshell site**, which was previously an active nuclear research laboratory. Work includes the decontamination and demolition of structures and planning for the in situ decommissioning (i.e. immobilizing and leaving in place) of the WR-1 research reactor. The proposal to decommission the research reactor in situ has been used internationally and provides a safe, environmentally sound, and more cost effective approach to address AECL's liability, when compared with the removal and disposal of contaminated reactor components. The proposal, led by CNL, is currently undergoing an Environmental Assessment. During the third quarter of 2018-19, CNL continued to address the comments and questions it received from the public, Indigenous groups, the Canadian Nuclear Safety Commission and other regulators as part of the Environmental Assessment process. It also continued to engage with stakeholders, the public and Indigenous groups on its proposal through site tours and meetings. Other work required to decommission the Whiteshell site includes removal of the fuel from the site and addressing waste that is currently stored in trenches and bunkers. CNL is currently developing solutions for the decommissioning and remediation, where appropriate, of these areas, with AECL providing oversight to bring value for money for Canada.

Similarly, CNL continued to advance its proposal for the in situ decommissioning of the **Nuclear Power Demonstration reactor**. During the third quarter of 2018-19, CNL finalized responses to the comments

and questions it received as part of the Environmental Assessment process. It also continued to engage with stakeholders, the public and Indigenous groups on its proposal through site tours and meetings.

Finally, as part of the **Port Hope Area Initiative**, where historic low-level radioactive waste in the municipalities of Port Hope and Clarington is being remediated, CNL continued with residential property remediation and waste emplacement as part of the Port Hope Project. Based on site characterization results, the number of small scale sites (residential properties) needing remediation is increasing compared to the original plans. Work is underway to review schedules and work packages to manage this change. Waste emplacement also continued at the Port Granby Project. The Port Hope Area Initiative is delivering on Canada's long-term commitment to clean up low-level radioactive waste in the community, remediate historically contaminated lands and safely manage radioactive waste.

During the third quarter of 2018-19, CNL completed construction of the third cell in the Port Hope Long-term Waste Management Facility and began waste emplacement. Work to remediate residential property in Port Hope also continued, paving the way for the remediation of several hundred other properties in the town. Work in the harbour also progressed with the wave attenuator being installed, which is a key step to enable the cleanup of the harbour.

Nuclear Laboratories

AECL has been leading nuclear science and technology for over six decades. Over the years, AECL has played an important role in supporting public policy and in delivering programs for the Government of Canada. This includes the production of medical isotopes and the provision of nuclear science and technology in the areas of energy, non-proliferation, emergency preparedness, counter-terrorism, health, and security. AECL's unique facilities have made it an attractive research destination for scientists across Canada and the world, leading to home-grown innovation and the development and retention of highly-qualified nuclear workers and scientists.

Through the GoCo model, AECL's objective is to leverage the vast experience and expertise at the Chalk River Laboratories to contribute to the government's science, innovation and clean energy objectives. Nuclear science and technology activities at the Chalk River Laboratories support the Federal Nuclear Science and Technology Work Plan, which helps the Government of Canada deliver on its responsibilities in the areas of health, nuclear safety and security, energy and the environment. To further grow the science expertise and capabilities at Chalk River, AECL has asked CNL to provide technical services and research and development products for third parties on a commercial basis.

CNL has developed a 10-year plan outlining its strategic approach to delivering an integrated, effective, project-based and customer-focused science and technology mission that serves the needs of the federal government as well as those of external customers. Based on an assessment of existing capabilities, external environment and market opportunities, CNL has identified eight strategic initiatives that it will focus on during the planning period, which support the needs of the federal government and third-party customers to tap into new and expanded markets:

- **Long-term reliability of existing reactors:** Support for Canada's fleet of existing reactors through work on life extension and long-term reliability of the existing fleet of CANDU reactors

domestically and internationally, and expansion to include support for other reactor designs, advanced nuclear materials, fuels research and nuclear chemistry applications.

- **Advanced fuel fabrication:** Development of advanced nuclear fuel concepts in order to support the long-term reliability of existing reactors and the development of advanced reactors. These advanced fuels offer higher performance, improved failure tolerance, increased safety, proliferation resistance and accident tolerance, and are recycled or recyclable.
- **Small modular reactors (SMRs):** CNL's goal is to demonstrate the commercial viability of SMRs by 2026, with a view to positioning Canada to take a leadership role in this emerging nuclear technology. The objective is for Canada and CNL to best leverage their expertise and facilities to position SMRs to provide low-carbon, reliable, load-following, scalable and cost-effective energy options to remote communities, mining and oil sand applications, and to fill other energy gaps and needs that often have unique Canadian interest.
- **Decarbonizing the transportation sector:** CNL aims to build on existing capabilities, and leverage recent capital investments by AECL in modern hydrogen laboratories, to support hydrogen safety and heavy water and tritium management in CANDU reactors. As hydrogen technologies have matured, costs have dropped to the point that hydrogen solutions are financially competitive with similar energy conversion technologies. Hydrogen technology offers low-carbon options for the energy and transportation sectors, which supports Canada's international commitments for carbon reduction.
- **Targeted alpha research:** Targeted alpha therapy is a new area of research in the battle against cancer and other diseases. The benefit of this therapy is that the radiation is targeted at the cancer cell, unlike existing treatments that often involve irradiation of all cells in the vicinity of a tumor, healthy and cancerous.
- **Nuclear cyber security:** Cyber security of industrial control systems is a growing concern in all industries, and particularly in the nuclear industry where it represents a multibillion-dollar worldwide market. While a large commercial industry caters to the cyber security of information technology (IT) systems, most solution providers are focused on conventional hacking and data theft. CNL has already commissioned a nuclear cyber security test facility located in New Brunswick, and is now working to develop, commercialize and deploy a nuclear industrial control cyber intrusion detection and mitigation system.
- **Nuclear forensics, detection and response:** The need for science and technology activities in nuclear security continues to grow in Canada, as evidenced by the government's renewed commitments to nuclear threat reduction, both domestically and abroad. There is a growing demand from government departments and agencies for nuclear science and technology expertise to inform their response to emergent national and international issues concerning nuclear safeguards, safety and security. CNL is working to establish a facility for government agencies and commercial partners to develop, test, calibrate and validate nuclear forensics technologies and materials. Furthermore, CNL is supporting work to safeguard and secure nuclear material and improve Canada's border security.
- **Environmental remediation management science and technology:** CNL is working to expand the understanding of the behaviour of contaminant radionuclides, and further develop safe, economical nuclear waste management technologies. The environmental technology capability will also continue to support the government in monitoring for the presence and spread of low levels of contamination.

As part of its long-term vision for the Chalk River Laboratories, CNL's plans, approved by AECL, entail the revitalization of the site through the demolition of old and outdated buildings and the construction of new facilities that will enable a vibrant science and technology mission going forward. The objective is to transform the site into a world-class, state-of-the-art nuclear science and technology campus.

During the third quarter of 2018-19, CNL pursued activities in this respect, including:

- CNL announced in September a strategic partnership with TRIUMF, Canada's particle accelerator centre, around the commercial production of Actinium-225, a rare isotope that has the potential to serve as the basis of new ground-breaking cancer treatments. CNL will be jointly hosting with TRIUMF the 11th International Symposium on Targeted Alpha Therapy which will take place in Ottawa in April 2019.
- Planning work for the Advanced Nuclear Material Research Centre continued. This facility will consolidate research activities in a modern facility that enables CNL to grow its stature nationally and internationally.
- CNL has launched its Centre for Reactor Sustainability which brings together its broad research capabilities to utilities and their suppliers in support of the sustainable, long-term operations of the world's fleet of more than 400 nuclear power reactors.
- A design/build contractor for the construction of three non-nuclear facilities was selected and planning work continued. These include a Business Hub, which will consolidate key support functions such as information technology and digital technical information storage, in a modern, sustainable facility to foster research and business partnerships; a Logistics and Warehouse Building, which will facilitate shipping and receiving at the outer gate area; and, a Maintenance Building, which will consolidate maintenance resources, work management resources and equipment into a single, centralized location.
- Delivery of the Federal Nuclear Science and Technology Work Plan continued to progress well. As part of this work plan, thirteen federal departments and agencies, together with AECL, have identified priorities in nuclear science and technology in order to support federal mandates in the areas of health, energy, safety and security, and the environment. Projects from the Federal Nuclear Science and Technology Work Plan continue to support a number of national and international commitments and priorities including: Mission Innovation, the Pan-Canadian Framework, international commitments on the peaceful use of nuclear energy, bilateral partnerships on nuclear science and technology with countries such as the United States, United Kingdom, India and China, as well as multilateral partnerships including the Nuclear Energy Agency, Clean Energy Ministerial, and the Generation IV International Forum Framework Agreement and participation in Generation IV International Forum System Arrangements. Projects under the Federal Nuclear Science and Technology Work Plan continue to successfully leverage research with other funding programs such as the Canadian Safety and Security Program.
- CNL hosted its third SMR Vendor Roundtable on the margins of the 2018 Pacific Basin Nuclear Conference in San Francisco, California and fourth roundtable to discuss SMRs with national and international stakeholders on the margins of its first sold out International Conference on Generation IV and Small Reactors. This supports CNL's efforts to attract partners in order to facilitate the development and deployment of SMRs and is aligned with the Canadian SMR Roadmap, which was released during the quarter. CNL also continued to work with interested

applicants as part of its Invitation for Application process, an open invitation for any proponents of SMR projects to engage formally with CNL, through an evaluation process, to potentially site a demonstration SMR at an AECL site. Information garnered through this process will allow CNL to evaluate the technical and business merits of proposed designs, assess the financial viability of the projects, and review the necessary national security requirements. The objective is to understand the full implications of potential partnerships in order to assess whether there are benefits for CNL and for Canada more broadly.

- Work continued on the safe and orderly shutdown of the National Research Universal (NRU) reactor, Canada's largest nuclear research reactor located at the Chalk River Laboratories. This included the dewatering of the reactor and the decontamination of the heavy water system through the use of an innovative technique developed during the shutdown period.
- CNL released a documentary movie entitled *Of Great Service: The Story of the National Research Universal* and hosted a series of screenings in the Chalk River area. *Of Great Service* tells the story of the NRU reactor and its historical role as one of Canada's most important scientific and research facilities. The movie served to communicate the value of nuclear energy and nuclear science, and CNL has been able to reach a broad audience and reinvigorate a conversation about the value of nuclear research and development.

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 nine months ended December 31, 2018, 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.

Financial Review

(\$ millions)	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Revenues				
Parliamentary appropriations	\$ 197	\$ 187	\$ 551	\$ 490
Commercial revenue	24	26	82	63
Interest income	2	1	4	3
	223	214	637	556
Expenses				
Cost of sales	21	15	60	47
Operating expenses	16	34	49	68
Contractual expenses	55	76	190	240
Decommissioning, waste management and contaminated sites expenses	232	69	368	207
	\$ 324	\$ 194	667	562
(Deficit) surplus for the period before the following item	(101)	20	(30)	(6)
Elimination of reported obligation related to government funded heavy water proceeds	333	-	333	-
Surplus (deficit) for the period	\$ 232	\$ 20	\$ 303	\$ (6)

Parliamentary Appropriations

The Government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$197 million of Parliamentary appropriations in the third quarter of 2018-19, compared to \$187 million for the same period in 2017-18. On a year-to-date basis, AECL recognized \$551 million of Parliamentary appropriations, compared to \$490 million for the same period in 2017-18. The year-to-date variance is primarily related to AECL funding an increased level of work in decommissioning and waste management in 2018-19.

Commercial Revenue

In the third quarter of 2018-19, \$24 million in revenue was recognized, compared to \$26 million for the same period in 2017-18. On a year-to-date basis, revenues were \$82 million, compared to \$63 million in 2017-18. Revenue included isotope sales, commercial technology sales, and research and development activities performed by CNL for commercial customers. The reported increase in the year-to-date can be attributed to increased sales of the cobalt isotope, as well as increased research and development activities.

Interest Income

Interest income is earned on cash, short-term investments from appropriations and investments held in trust. Income earned in the quarter and year-to-date are comparable to the prior periods.

Cost of Sales

Cost of sales are consistent with the reported revenues for the periods, but with a decrease in margin in the quarter as a result of lower margin research and development activities.

Operating Expenses

Operating expenses are largely comprised of AECL's oversight expenses and amortization of tangible capital assets. The \$16 million in the current period is lower than the previous year's quarter of \$34 million. On a year-to-date basis, operating expenses were \$49 million compared to \$68 million in the prior period. The current period and year-to-date variances are due primarily to write-offs of items in trade and other receivables totalling \$7 million and \$10 million in construction in progress in the prior year.

Contractual Expenses

AECL delivers its mandate through a long-term contract with CNL for the management and operation of its sites. CNL expenditures are reported by AECL as Contractual expenses. Expenses in this category for the third quarter total \$55 million, compared to \$76 million in the third quarter of 2017-18. Year-to-date expenses in this category, which exclude those related to decommissioning and waste management and capital expenditures, total \$190 million compared to \$240 million in the previous period in 2017-18. The third quarter and year-to-date variances are largely the result of decreased spending on the NRU reactor consistent with the shutdown of the reactor in March 2018.

Decommissioning, Waste Management and Contaminated Sites Expenses

Decommissioning, waste management and contaminated sites expenses consist of financial expenses and the revaluation (gain) loss, if any, on these reported liabilities. Financial expenses reflect the increase in the net present value (accretion of discount) of these reported liabilities. Decommissioning, waste management and contaminated sites expenses in the third quarter of 2018-19 of \$232 million and year-to-date of \$368 million are higher than the same periods in 2017-18 as a result of changes in project estimates.

Elimination of Reported Obligation Related to Government Funded Heavy Water Proceeds

During the third quarter of 2018-19, the Government of Canada provided confirmation to AECL that there is no obligation associated with past government funded heavy water proceeds. As a result of this new information from the Government of Canada, AECL has eliminated these balances, totalling \$333 million, as at December 31, 2018. The balances eliminated include Deferred decommissioning and waste management funding (\$293 million) and amounts due to related parties included in Accounts payable and accrued liabilities (\$40 million).

Surplus (Deficit) for the Period

Consistent with AECL's financial reporting framework, appropriations are recognized as received in a given period 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 2018-19 year-to-date results are generally comparable to the planned results. As such, AECL is on track to meet its commitments within budget. Priorities and deliverables have not materially changed in the first nine months of 2018-19.

Cash Flow and Working Capital

(\$ millions)	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Cash provided by operating transactions	\$ 28	\$ 94	\$ 311	\$ 331
Cash applied to capital transactions	(16)	(27)	(56)	(85)
Increase in cash	12	67	255	246
Balance at beginning of the period	281	216	38	37
Balance at end of the period	\$ 293	\$ 283	\$ 293	\$ 283

Operating Transactions

Operating transactions generated a net cash inflow of \$28 million in the third quarter of 2018-19, compared to \$94 million during the same period in 2017-18. On a year-to-date basis, operating activities resulted in a net cash inflow of \$311 million compared to \$331 million during the same period the previous year. The variance in the quarter is the result of decreased cash receipts from customers and an increase in spending on decommissioning and waste management activities.

Capital Transactions

Capital transactions used cash of \$16 million in the third quarter of 2018-19 compared to \$27 million in the same period in 2017-18. On a year-to-date basis, capital activities used cash of \$56 million compared to \$85 million used in the same period in the previous year. The decrease is primarily due to the fact that in 2017-18, several site infrastructure projects were in the construction phase, while in the current year the capital projects are in a lower cost validation phase prior to construction.

Highlights of the Statement of Financial Position

(\$ millions)	December 31,	March 31,	Variance	Variance
	2018	2018	In \$	By %
Financial Assets	\$ 591	\$ 451	\$ 140	31%
Liabilities	7,824	7,967	(143)	-2%
Non-Financial Assets	659	646	13	2%
Accumulated Deficit	(6,574)	(6,869)	295	4%

AECL closed the third quarter of 2018-19 with Financial Assets of \$591 million, which represents a \$140 million increase from March 31, 2018. This variance is mainly the result of increased cash received from Parliamentary appropriations as the appropriations for the fourth quarter of 2018-19

were received just prior to the end of the current quarter and treated as Deferred funding, partially offset by amounts receivable from the prior year.

The decrease in Liabilities of \$143 million can be attributed primarily to the elimination of the reported obligation related to past proceeds of government funded heavy water, partly offset by the increase in Deferred funding as described above.

Management of Risks and Uncertainties

Risks and uncertainties are described in AECL's 2017-18 Annual Report under the section "Management's Discussion and Analysis." Risks and uncertainties and risk management practices as noted in the 2017-18 Annual Report have not materially changed in the first nine months of 2018-19.

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 "Standard on Quarterly Financial Reports for Crown Corporations," and for such internal controls as Management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

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




Richard J. Sexton

President and Chief Executive Officer

February 27, 2019

Chalk River, Canada



David J. Smith

Chief Financial Officer

February 27, 2019

Chalk River, Canada

UNAUDITED FINANCIAL STATEMENTS

Statement of Financial Position (Unaudited)

As at

<i>(thousands of Canadian dollars)</i>	Notes	December 31, 2018	March 31, 2018
Financial Assets			
Cash		\$ 292,987	\$ 37,580
Long-term disposal of waste fund		30,489	25,992
Investments held in trust		51,264	50,658
Trade and other receivables	3	36,067	40,606
Appropriations receivable	9	-	103,825
Inventories held for resale		3,438	3,936
Heavy water inventory		176,976	188,643
		591,221	451,240
Liabilities			
Accounts payable and accrued liabilities	4	37,106	77,196
Employee future benefits	5	21,518	23,200
Due to Canadian Nuclear Laboratories		105,038	117,042
Deferred funding	9	209,300	-
Deferred decommissioning and waste management funding	11	-	287,694
Decommissioning and waste management provision	6	6,491,895	6,473,301
Contaminated sites liability	7	959,406	988,243
		7,824,263	7,966,676
Net Debt		(7,233,042)	(7,515,436)
Non-Financial Assets			
Tangible capital assets	8	659,045	644,353
Prepaid expenses		104	1,985
		659,149	646,338
Accumulated Deficit		(6,573,893)	(6,869,098)
Accumulated deficit is comprised of:			
Accumulated operating deficit		(6,573,492)	(6,868,978)
Accumulated remeasurement losses		(401)	(120)
		\$ (6,573,893)	\$ (6,869,098)

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

Statement of Operations and Accumulated Deficit (Unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	2019	Three Months Ended		Nine Months Ended	
		Budget	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenues						
Parliamentary appropriations	9	\$ 1,043,473	\$ 196,743	\$ 187,100	\$ 550,657	\$ 489,970
Commercial revenue		84,600	23,966	25,594	82,594	62,501
Interest income		3,000	1,501	1,137	3,742	3,078
		1,131,073	222,210	213,831	636,993	555,549
Expenses						
Cost of sales		54,990	20,531	15,393	60,219	46,768
Operating expenses		69,139	16,124	34,146	48,484	68,246
Contractual expenses	10	320,880	54,587	76,329	190,112	239,802
Decommissioning, waste management and contaminated sites expenses		268,950	232,127	68,865	368,381	206,596
		713,959	323,369	194,733	667,196	561,412
(Deficit) surplus for the period before the following item						
		417,114	(101,159)	19,098	(30,203)	(5,863)
Elimination of reported obligation related to government funded heavy water proceeds	12	-	333,384	-	333,384	-
Surplus (deficit) for the period		417,114	232,225	19,098	303,181	(5,863)
Accumulated operating deficit, beginning of period		(6,868,978)	(6,805,717)	(7,022,319)	(6,868,978)	(6,983,092)
Transfer to deferred decommissioning and waste management funding	11	(6,000)	-	(5,931)	(5,930)	(18,182)
Transfer to repayable contributions	11	(5,000)	-	(143)	(1,765)	(2,158)
Accumulated operating deficit, end of period		\$ (6,462,864)	\$ (6,573,492)	\$ (7,009,295)	\$ (6,573,492)	\$ (7,009,295)

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

Statement of Remeasurement Gains and Losses (Unaudited)

<i>(thousands of Canadian dollars)</i>	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Accumulated remeasurement (losses) gains, beginning of period	\$ (707)	\$ (206)	\$ (120)	878
Remeasurement gains (losses) arising during the period				
Unrealized gains (losses) on Investments held in trust	306	300	(281)	(817)
Reclassifications to the Statement of Operations and Accumulated Deficit				
Realized gains on Investments held in trust	-	(46)	-	(13)
Net remeasurement gains (losses) for the period	306	254	(281)	(830)
Accumulated remeasurement (losses) gains, end of period	\$ (401)	\$ 48	\$ (401)	48

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

Statement of Change in Net Debt (Unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	2019	Three Months Ended		Nine Months Ended	
		Budget	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Surplus (deficit) for the period		\$ 417,114	\$ 232,225	\$ 19,098	\$ 303,181	\$ (5,863)
Tangible capital assets						
Acquisition of tangible capital assets	8	(146,722)	(19,434)	(34,573)	(46,947)	(89,894)
Amortization of tangible capital assets	8	46,823	11,351	9,427	32,194	28,530
Write-down of tangible capital assets	8	-	-	9,686	-	9,686
Other changes	8	-	(1)	809	61	1,031
		(99,899)	(8,084)	(14,651)	(14,692)	(50,647)
Non-financial assets						
Changes in prepaid expenses		-	1,511	1,317	1,881	842
Net remeasurement gains (losses) for the period		-	306	254	(281)	(830)
Increase (decrease) in net debt		317,215	225,958	6,018	290,089	(56,498)
Net debt at beginning of period		(7,515,436)	(7,459,000)	(7,654,512)	(7,515,436)	(7,577,730)
Transfer to deferred decommissioning and waste management funding	11	(6,000)	-	(5,931)	(5,930)	(18,182)
Transfer to repayable contributions	11	(5,000)	-	(143)	(1,765)	(2,158)
Net debt at end of period		\$ (7,209,221)	\$ (7,233,042)	\$ (7,654,568)	\$ (7,233,042)	\$ (7,654,568)

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

Statement of Cash Flows (Unaudited)

<i>(thousands of Canadian dollars)</i>	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Operating transactions				
Cash receipts from Parliamentary appropriations	\$ 212,300	\$ 232,500	\$ 863,782	\$ 816,900
Cash receipts from customers	24,477	54,897	87,196	91,214
Cash paid to suppliers	(80,066)	(86,498)	(253,297)	(279,529)
Cash paid to employees	(2,381)	(2,312)	(10,322)	(11,716)
Cash paid for decommissioning, waste management and contaminated sites activities	(127,030)	(105,327)	(378,624)	(287,334)
Interest received	1,130	555	2,804	1,231
Cash provided by operating transactions	28,429	93,815	311,540	330,766
Capital transactions				
Acquisition of tangible capital assets	(16,265)	(26,608)	(56,133)	(84,549)
Cash applied to capital transactions	(16,265)	(26,608)	(56,133)	(84,549)
Increase in cash	12,164	67,207	255,407	246,217
Cash at beginning of period	280,823	216,034	37,580	37,024
Cash at end of period	\$ 292,987	\$ 283,241	\$ 292,987	\$ 283,241

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

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended December 31, 2018

(Expressed in thousands of Canadian dollars)

(Unaudited)

1. The Corporation

Atomic Energy of Canada Limited (AECL) is a federal Crown corporation whose mandate is to enable nuclear science and technology and protect the environment by managing the Government of Canada's radioactive waste and decommissioning activities. Since 2015, AECL has been delivering its mandate through a Government-owned, Contractor-operated model, whereby Canadian Nuclear Laboratories (CNL), a private-sector organization, operates and manages AECL's sites on its behalf pursuant to a contractual arrangement.

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

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

AECL's 2018-2019 to 2022-2023 Corporate Plan received Governor in Council approval in the first quarter of the 2018-19 fiscal year. The Corporate Plan is aligned with the direction provided by AECL's sole shareholder, the Government of Canada, and reflects AECL's priorities under the Government-owned, Contractor-operated model.

2. Significant Accounting Policies

Basis of Accounting

These quarterly financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB), and should be read in conjunction with the annual audited financial statements dated March 31, 2018.

Both financial and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are normally employed to provide future services, and are charged to expense through amortization or upon utilization. Non-financial assets are not taken into

consideration when determining the net debt (or net financial assets), but rather are added to the net debt (or net financial assets) to determine the accumulated surplus (deficit).

Measurement Uncertainty

The preparation of the quarterly financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities and non-financial assets at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates and assumptions include those related to the fair value of financial instruments, useful life and write-down of tangible capital assets, employee future benefits, contingent liabilities and provisions including the decommissioning and waste management provision and contaminated sites liability. Estimates and assumptions are based on the best information available at the time of preparation of the quarterly financial statements and are reviewed annually 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 2018-19 budget is reflected in the Statement of Operations and Accumulated Deficit and the Statement of Change in Net Debt. Budget data presented in these financial statements is based upon the 2018-19 projections and estimates contained within the 2018-19 to 2022-23 Corporate Plan.

3. Trade and Other Receivables

<i>(thousands of Canadian dollars)</i>	December 31, 2018	March 31, 2018
Trade receivables	\$ 21,414	\$ 16,576
Less: allowance for doubtful accounts	(3,419)	(3,419)
Net trade receivables	17,995	13,157
Other receivables:		
Unbilled revenue	6,699	10,594
Consumption taxes receivable	11,373	9,460
Contract receivables from customers in respect of the financing of products and services, maturing through 2018-19 at fixed repayment amounts	-	7,095
Other receivables	-	300
	\$ 36,067	\$ 40,606

4. Accounts Payable and Accrued Liabilities

<i>(thousands of Canadian dollars)</i>	December 31, 2018	March 31, 2018
Trade payables	\$ 6,401	\$ 7,927
Other payables and accrued expenses	20,946	20,364
Accrued payroll liabilities	1,560	2,380
Amounts due to related parties	380	38,603
Provisions	5,937	6,053
Customer advances and obligations	1,882	1,869
	\$ 37,106	\$ 77,196

The Amounts due to related parties represent royalty revenues and cash proceeds from the sales of heavy water. During the third quarter of 2018-19, AECL eliminated the balance associated with the proceeds of the sales of government funded heavy water as described in Note 12.

Provision amounts are short-term in nature, are not discounted and include lawsuits, legal claims and disputes with suppliers.

5. Employee Future Benefits

a) Pension Plan

Employees of AECL participate in the Public Service Pension Plan (PSPP). The PSPP is a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the employer to cover current service cost. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

Total contributions made on account of current service are as follows:

<i>(thousands of Canadian dollars)</i>	Three Months Ended December 31, 2018		Nine Months Ended December 31, 2018	
	2018	2017	2018	2017
Payments by employees	\$ 166	\$ 176	\$ 618	\$ 695
Payments by employer	225	443	1,056	2,509

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 (VTC) and other post-employment benefits as described in Note 2(h) of the annual audited financial statements dated March 31, 2018. 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 of \$21.5 million (March 31, 2018: \$23.2 million).

The VTC included in the reported Employee future benefits liability is \$8.7 million (March 31, 2018: \$9.6 million) and is payable in instances of future voluntary resignations and retirements.

6. Decommissioning and Waste Management Provision

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

<i>(thousands of Canadian dollars)</i>	Nine Months Ended December 31, 2018	Year Ended March 31, 2018
Carrying amount - Beginning of period	\$ 6,473,301	\$ 6,492,243
Liabilities settled	(265,953)	(309,228)
Unwinding of discount	188,349	251,866
Revision in estimate and timing of expenditures	96,198	38,420
Carrying amount - End of period	\$ 6,491,895	\$ 6,473,301

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$15,804.9 million (March 31, 2018: \$15,932.9 million).

The provision was discounted using a rate of 3.88% as at December 31, 2018 and March 31, 2018.

7. Contaminated Sites Liability

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

	Nine Months Ended December 31, 2018	Year Ended March 31, 2018
<i>(thousands of Canadian dollars)</i>		
Carrying amount - Beginning of period	\$ 988,243	\$ 1,081,866
Liabilities settled	(116,870)	(107,083)
Unwinding of discount	16,033	23,595
Revision in estimate and timing of expenditures	72,000	(10,135)
Carrying amount - End of period	\$ 959,406	\$ 988,243

The nature of the Port Hope Area Initiative is the clean-up and local, long-term, safe management of historic low-level radioactive waste in the municipalities of Port Hope and Clarington, in Ontario. This waste consists mainly of past process residues containing uranium and radium, and associated contaminated soils, the result of activities of a former federal Crown corporation and its private-sector predecessors. The implementation phase is forecasted to be complete in 2023-24, with long-term monitoring and maintenance expected to continue for 30 years after implementation. The liability is discounted using net present value techniques at a rate of 2.16%. The estimated total undiscounted expenditures are \$1,062.3 million (March 31, 2018: \$1,107.2 million).

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.

8. Tangible Capital Assets

(thousands of Canadian dollars)

	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
Cost at March 31, 2018	\$ 190,798	\$ 85,493	\$ 435,031	\$ 488,392	\$ 1,199,714
Additions and transfers	46,947	14,949	33,070	29,111	124,077
Disposals and transfers	(77,248)	(10)	(614)	(15,724)	(93,596)
Cost at December 31, 2018	160,497	100,432	467,487	501,779	1,230,195
Accumulated amortization at March 31, 2018	-	38,673	201,599	315,089	555,361
Increase in amortization	-	2,988	8,367	20,838	32,193
Disposals	-	(431)	(574)	(15,399)	(16,404)
Accumulated amortization at December 31, 2018	-	41,230	209,392	320,528	571,150
Net carrying amount at March 31, 2018	190,798	46,820	233,432	173,303	644,353
Net carrying amount at December 31, 2018	\$ 160,497	\$ 59,202	\$ 258,095	\$ 181,251	\$ 659,045

9. Parliamentary Appropriations

	Three Months Ended December 31,		Nine Months Ended December 31,	
(thousands of Canadian dollars)	2018	2017	2018	2017
Parliamentary appropriations for operating and capital expenditures				
Amount received during the period for operating and capital expenditures	\$ 209,300	\$ 232,500	\$ 863,782	\$ 816,900
Amount receivable from a previous period	-	-	(103,825)	(94,430)
Amount deferred from the previous period	193,743	187,100	-	-
Amount received related to the next period (Deferred funding)	(209,300)	(232,500)	(209,300)	(232,500)
	193,743	187,100	550,657	489,970
Statutory funding				
Amount received during the period	3,000	-	-	-
	3,000	-	-	-
Total Parliamentary appropriations recognized	\$ 196,743	\$ 187,100	\$ 550,657	\$ 489,970

The difference between received and recognized Parliamentary appropriations 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, 2019 total \$1,044 million.

10. Contractual Arrangement

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

The following contractual expenses were incurred:

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
<i>(thousands of Canadian dollars)</i>	2018	2017	2018	2017
Contractual amounts paid or payable	\$ 216,644	\$ 230,287	\$ 664,708	\$ 660,578
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(126,916)	(107,537)	(380,952)	(293,658)
Less: Costs charged to Construction in progress	(19,434)	(34,563)	(46,947)	(89,885)
Less: Costs classified as Cost of sales	(15,707)	(11,858)	(46,697)	(37,233)
Contractual expenses	\$ 54,587	\$ 76,329	\$ 190,112	\$ 239,802

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

11. Deferred Decommissioning and Waste Management Funding

In 1993, the Government transferred heavy water to AECL, the value of which was recorded directly in Accumulated deficit. As part of a 1996 decision, the Treasury Board directed AECL to utilize the proceeds from the sale or lease of this heavy water during the period from 1997 to 2006 for use in decommissioning activities. As a result, an amount equal to the cash proceeds received in the fiscal years after 2006 from any lease arrangement entered into during that 10 year period for this government funded heavy water was transferred from Accumulated deficit to Deferred decommissioning and waste management funding. During the third quarter of 2018-19, AECL eliminated this balance as described in Note 12.

12. Elimination of Reported Obligation Related to Government Funded Heavy Water Proceeds

During the third quarter of 2018-19, the Government of Canada provided confirmation to AECL that there is no obligation associated with the past government funded heavy water proceeds, and that future sales proceeds are available for AECL to use as it sees fit. As a result of this new information from the Government of Canada, AECL has eliminated the balances in Deferred decommissioning and waste management funding (\$293 million) and amounts due to related parties included in Accounts payable and accrued liabilities (\$40 million) as at December 31, 2018. Going forward, no liability to the Government will be recorded for future sales of government funded heavy water.

13. Comparative Figures

Certain of the December 31, 2017 comparative figures have been reclassified to conform to the financial statement presentation adopted in the 2018-19 fiscal year.



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