



ATOMIC ENERGY OF CANADA LIMITED

First Quarter Financial Report

Financial Statements (Unaudited)

**As at and for the three months ended
June 30, 2024**

TABLE OF CONTENTS

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER.....	3
MANAGEMENT’S NARRATIVE DISCUSSION	4
<i>Introduction</i>	<i>4</i>
<i>Our Business.....</i>	<i>4</i>
<i>First Quarter Highlights for 2024-25.....</i>	<i>7</i>
FORWARD-LOOKING STATEMENTS.....	12
MANAGEMENT OF RISKS AND UNCERTAINTIES	12
FINANCIAL REVIEW	14
CASH FLOW AND WORKING CAPITAL.....	16
HIGHLIGHTS OF THE STATEMENT OF FINANCIAL POSITION.....	17
USE OF PARLIAMENTARY APPROPRIATIONS.....	17
MANAGEMENT’S RESPONSIBILITY.....	18
UNAUDITED FINANCIAL STATEMENTS.....	19

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



I am pleased to present this quarter's Financial Report, including a brief overview of some business highlights. Notable among AECL achievements this quarter are:

- Whiteshell Laboratories reaching stage seven of eight on its way to full compliance and operation.
 - CNL-hosted Fusion Day, and the publishing of the Fusion Roadmap.
 - Restoration of the sanitary sewage treatment plant at Chalk River to full compliance with the *Fisheries Act*.
- 10-year funding for AECL announced via Budget 2024.
 - Continued, on-schedule progress of the re-procurement of the Government-owned, Contractor-operated contract.
 - Continued to explore CANDU development and deployment opportunities in collaboration with the federal government, utilities and AtkinsRéalis, the licensee for CANDU technology.

In addition, an important consideration for planning in this period is the continued delay of the Near Surface Disposal Facility at Chalk River, due to pending judicial reviews of the Canadian Nuclear Safety Commission and Environment and Climate Change Canada (Species at Risk Act) licensing/permitting decisions.

These are just some of major projects happening at AECL as we continue to drive nuclear innovation for Canada and address legacy waste.

A handwritten signature in blue ink that reads "F. Dermarkar .".

Fred Dermarkar

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 first quarter of 2024-25 and accompanying notes. Management's Narrative Discussion should therefore be read in conjunction with the unaudited financial statements.

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 August 20, 2024.

Our Business

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

Under the GoCo model, AECL retains ownership of the sites, facilities, intellectual property, and liabilities. CNL manages AECL's sites and facilities under contract with AECL. The GoCo model allows AECL to leverage private-sector expertise and experience to accelerate the decommissioning and environmental stewardship program and deliver world-class nuclear science and technology. As an agent of government, AECL brings value to Canada by setting CNL's priorities and providing expert-based oversight of its plans and operations. AECL assesses CNL's performance to advance its objectives in the most effective and efficient manner, while maintaining the highest priority on safety, security, and protection of the environment. Furthermore, AECL supports the government's development of nuclear policy.

The three main areas of focus for activities are:

1. Nuclear Innovation (Nuclear Laboratories)

AECL is focused on leveraging the successes of its past as well as future nuclear innovation to benefit Canada and Canadians. Working with industry, AECL is enabling the development of new technologies to advance small modular reactors (SMRs), clean hydrogen and fusion all with a view to building on the success of the CANDU reactor technology and its already realized and potentially enhanced contributions to climate objectives, energy security and jobs. Advancements in nuclear medicine are being pursued in an effort to further revolutionize the diagnosis and treatment of disease. This includes supporting the research and development of new and promising nuclear health technologies, including new and emerging radiotherapies, diagnostics, and radiotheranostics such as targeted alpha therapy.

Work in these areas is enabled by the vast and unique capabilities that reside at CNL and at the Chalk River Laboratories, Canada's largest science and technology complex and host to nearly 3,000 employees. 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 \$1.3 billion over ten years by the federal government, beginning in 2016.

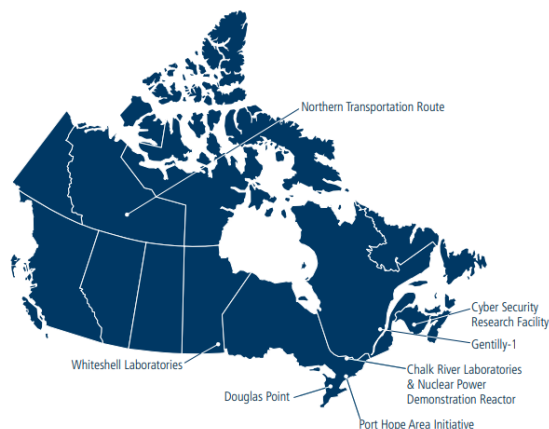
Through the work and capabilities of the Chalk River Laboratories, AECL and CNL can act as a conduit between the government of Canada and private industry by identifying and facilitating opportunities for coordination between the public and private sectors to build support for initiatives that serve federal priorities, commitments, and goals.

2. Environmental Stewardship

The objective is to address safely and responsibly the environmental responsibilities and liabilities which have resulted from legacy activities at AECL sites. These legacy liabilities are the result of decades of significant contributions and advancements in nuclear science which have benefitted Canadians and the world, including the development of the CANDU technology and the production of medical isotopes which are used in the diagnostic and treatment of cancer and other diseases.

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

AECL is now focused on 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.

3. Leveraging CANDU Nuclear Technology

AECL is committed to working with the federal government, provincial governments and the Canadian nuclear sector to identify and assess opportunities for “large nuclear” technologies in Canada and internationally. This will include efforts to facilitate enhanced CANDU designs to optimize Canada’s CANDU technology for today’s and tomorrow’s energy needs, provide energy security for Canadians and secure potential revenue opportunities for Canada as well as Canada’s CANDU supply chain. The protection and promotion of CANDU technology is not executed through the GoCo model.

First Quarter Highlights for 2024-25

Nuclear Laboratories

AECL has been leading nuclear science and technology for over seven decades. The organization was the birthplace of Canada's nuclear industry, having hosted the first sustained criticality (controlled nuclear chain reaction) outside of the United States. More importantly, the Chalk River Laboratories were the birthplace of the CANDU reactor technology, a technology that today is used at 19 reactors in Canada, providing 15% of Canada's electricity, and 30 (CANDU or CANDU-derivatives) internationally. It also provided the research and facilities for breakthroughs in the life saving application of medical isotopes, including cobalt-60. Work undertaken at the Chalk River Laboratories has led to numerous and important scientific achievements – including two Nobel Prize winners.

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, counterterrorism, 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.

The restructuring of AECL and the implementation of the GoCo model have brought new opportunities for building on this important scientific legacy. AECL's mandate has been clearly defined by government to leverage the capabilities at the Chalk River Laboratories to support the federal government's needs and responsibilities in the area of nuclear science and technology (through the Federal Nuclear Science and Technology Work Plan and work for federal departments and agencies as a federal lab), as well as to provide services to third-parties on a commercial basis. This has been further enabled by an investment of \$1.3 billion over 10 years starting in 2016 for new and renewed science and site support infrastructure at the Chalk River Laboratories, with the objective of building a world-class, state-of-the-art nuclear science and technology campus.

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 AECL's 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 will focus on nine strategic initiatives to support the government and help commercial clients to tap into new and expanded markets:

- **Long-term reliability of existing reactors:** CNL will support the CANDU fleet of reactors domestically and internationally through work on life-extension and long-term reliability, and

support other reactor designs, advanced nuclear materials, fuels research and nuclear chemistry applications.

- **Advanced fuel fabrication:** CNL will develop advanced nuclear fuel concepts to support long-term reactor reliability and the development of advanced reactors. Advanced fuels offer higher performance, improved failure tolerance, increased safety, proliferation resistance and accident tolerance, and are recycled or recyclable.
- **Small modular reactors:** CNL's goal is to demonstrate the commercial viability of small modular reactors by 2030, thereby positioning Canada to take a leadership role in this emerging nuclear technology. The objective is for Canada and CNL to leverage their expertise and facilities to position small modular reactors to provide low-carbon, reliable, load-following, scalable and cost-effective energy options to smaller and remote communities, mining and oil sands applications, and to fill other energy gaps and needs that often have a unique Canadian interest.
- **Hydrogen and the transportation sector:** CNL aims to leverage AECL's recent capital investments 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 therapy research for cancer treatment:** Targeted alpha therapy is a new area of research in the battle against cancer and other diseases. This therapy focuses tightly on cancer cells with a precision that spares their healthy neighbours.
- **Nuclear cybersecurity:** Cybersecurity of industrial control systems is a growing concern in all industries. In the nuclear industry, it represents a multibillion-dollar worldwide market. A large commercial industry caters to the cybersecurity of information technology systems. However, most solution providers are focused on conventional hacking and data theft. CNL has established a nuclear cybersecurity test facility in Fredericton, New Brunswick, and is 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 domestically and abroad. There is a growing demand from government departments and agencies for 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.
- **Science and technology for advanced environmental sustainability:** CNL works to expand the understanding of the behaviour of contaminant radionuclides, and further develop safe and economical nuclear waste management technologies. The environmental technology capability will continue to support the government in monitoring for the presence and spread of low levels of contamination. CNL is also growing its commercial work in this area.

- **Fusion:** As the demand for clean electricity processes has reached critical status, fusion can help transform the world's energy supply and help meet the energy demands in the path to net-zero emissions. Canada has a unique opportunity to leverage existing technologies from the vast experience with CANDU in deuterium and tritium management to accelerate the development of this technology domestically and abroad. The first phase will be the CNL-led Fusion Innovation Hub which will provide an area to test and solve challenges with fusion and the deuterium-tritium cycle and position Canada as a leader in the fusion sector. The second phase will be for CNL and its partner(s) to construct a deuterium-tritium fusion cycle system at the Laboratories at Chalk River, generating commercial revenues, intellectual property, new jobs, and a highly qualified talent pool.

As part of its long-term vision for the Chalk River Laboratories, CNL will build and leverage strong connections and advance relationships with academia, science-based departments and laboratories in Canadian government, other national laboratories, and others in the science and technology ecosystem, leading to demonstrable project examples and pursuing opportunities to collaborate and build on the unique science and technology facilities and/or long-term financial stability that is consistent with the Science & Technology Partnering Strategy.

First quarter highlights:

- Under AECL leadership, CNL hosted a Fusion Day in Ottawa, bringing together a range of players from across the fusion ecosystem. CNL also published a Fusion Roadmap, a comprehensive document that sets out a vision for advancing fusion in Canada, and articulates a number of key steps required to achieve that vision. AECL and CNL are working with Natural Resources Canada to support the government's fusion strategy as well. Fusion Day was a major success and highlights the important convening power of AECL, bridging academia, industry, and government.
- Further to this exciting fusion-themed event, CNL announced that it was expanding two of its clean energy programs to include fusion technologies. First it expanded the SMR invitation process to include fusion prototype reactors and other clean energy technologies, for potential siting at an AECL-owned site. Second, it expanded the Canadian Nuclear Research Initiative to include other forms of clean energy, including a larger focus on fusion-based research and development. This unique initiative enables collaborative research projects with advanced nuclear reactor vendors through a cost-shared model, facilitating access to key facilities and capability to accelerate development.
- Following on the detection of significant gaps in the CNL Learning Management System (where the system did not properly notify managers and employees when important mandatory training certifications had expired), AECL oversaw a comprehensive CNL response to deliver immediate remedial training, conduct a full review of the circumstances behind the system gaps, address system issues, communicate with staff, and look at any broader systemic reasons for challenges. This will remain an area of AECL oversight focus going forward.

Environmental Stewardship

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 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. This project is one of the largest and most complex environmental projects in Canada.

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 to reduce risks and costs for Canada in a safe manner, consistent with international leading practices. Specifically, AECL has asked CNL to propose long-term radioactive waste disposal solutions and to advance other decommissioning activities to reduce its environmental liabilities.

Work has steadily progressed at the Chalk River Laboratories, with 118 buildings decommissioned since 2015. The contaminated materials, demolition debris, and contaminated soil require disposal in a way that protects the environment. CNL has proposed to build a Near Surface Disposal Facility (NSDF) at the Chalk River site. This purpose-built, engineered facility will enable the responsible and safe disposal of AECL’s low-level radioactive waste. This includes contaminated items like gloves, protective shoe covers, clothing, rags, mops, equipment, tools, contaminated building material, debris, and soil. Using an internationally accepted and proven method of disposing of low-level radioactive waste, the NSDF would receive waste stored on site and waste created through ongoing remediation and decommissioning activities at all AECL sites.

First quarter highlights:

- As noted in previous reports, CNL, during a self assessment, uncovered critical gaps in Whiteshell Laboratories fire protection program in April 2023, and initiated a safety shutdown of that facility, until such time as the issues identified could be satisfactorily addressed. AECL, along with the Canadian Nuclear Safety Commission (CNSC), has closely monitored CNL’s response. That response has included pausing all non-essential work at the site, immediate action to reinforce the fire response team with additional capacity from Chalk River (short term), and addressing the gaps in the fire protection team. In the first quarter, CNL progressed

to the seventh of eight phases to ensure full compliance with the terms of its licence and ensure a return to full operation at Whiteshell.

- The Port Hope Area Initiative achieved a major milestone: emplacing over 2 million metric tonnes of waste into the Port Hope Long-Term Waste Management Facility. This represents over 100,000 truckloads of waste, and demonstrates the momentum happening in Port Hope as work progresses.
- Following approval by the CNSC in January, construction of the NSDF at the Chalk River Laboratories has been on hold pending judicial reviews of the CNSC permitting decision and the Environment and Climate Change Canada issuance of a permit under the *Species at Risk Act*. Judgments will likely be some months in coming, but AECL will be working to prepare for any further delays, and continues to engage with Indigenous nations and communities.
- AECL continues to oversee the CNL response to an issue, uncovered at the end of fiscal year 2023-24, relating to the sanitary sewage treatment plant at the Chalk River Laboratories site. The biodigester failed, and as a result untreated sewage effluent – not industrial or radioactive waste – was released into the Ottawa River. Environment and Climate Change Canada issued a compliance direction under the *Fisheries Act*, and CNL took numerous actions to restore the plant to normal operation, and identify any practices that might harm the system in the future. Following these efforts, the plant has returned to full, compliant operations. No observed harm was done to fish or fish habitat in the Ottawa River, but CNL will closely monitor the performance of the sewage system at Chalk River going forward.

Other Important Items

We would like to add some additional information on two important files that sit outside of our typical results structure: AECL's long-term funding situation, and progress in the renewal of the Government-owned, Contractor-operated (GoCo) contract.

AECL Funding

The federal government announced, in Budget 2024, funding for AECL over an 11-year period. This will allow AECL to deliver on its current plans as set out in its Corporate Plan Summary.

GoCo Contract

AECL has launched a competitive procurement process to continue the management and operation of CNL beyond the current GoCo contract, which expires in September 2025. The procurement process is proceeding on schedule, and activities are underway to plan for the transition to a new contractor. It should be noted that the GoCo model has been designed with CNL as an 'enduring entity', meaning that contractors can come and go, but CNL remains, including its current plans and projects which are continuing unchanged. CNL remains the employer of the workforce and the operator of AECL's sites.

Forward-Looking Statements

This Management's Narrative Discussion has been reviewed by AECL's Audit Committee and approved by AECL's Board of Directors. It provides comments on the performance of AECL for the three months ended June 30, 2024, and should be read in conjunction with the unaudited financial statements and accompanying notes.

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

Management of Risks and Uncertainties

AECL carefully anticipates and manages risks using sound practices. AECL's risk-management approach encompasses risks both to itself and to CNL's management and operation of AECL sites and facilities. Through ongoing communication between AECL and CNL, plans and activities are monitored to mitigate risks as necessary.

This section highlights some of the risks to AECL and their potential to affect its financial results.

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

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

Human resources: AECL is a small organization that relies on a small complement of national and international experts, many of whom bring experience in the management of similar Government-owned, Contractor-operated arrangements, both from a government and contractor perspective.

AECL's goal is to maintain the necessary expertise and capabilities to oversee the Government-owned, Contractor-operated contract and bring value for Canada.

Given AECL's small size, an ongoing challenge is to adapt to fluctuating resourcing requirements across different areas of the organization and backfill those on short-term leave where appropriate. To mitigate this risk, workforce and succession plans have been developed, and AECL regularly reviews its total compensation package to remain competitive amongst similar employers nationally and internationally. AECL strives to be adaptable and flexible, deploying a handful of third-party service contracts to bolster resourcing when and where required and cross-training employees when opportunities arise.

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

- Construction of a Near Surface Disposal Facility at the Chalk River Laboratories.
- In situ decommissioning of the WR-1 research reactor at the Whiteshell site.
- In situ decommissioning of the Nuclear Power Demonstration facility in Rolphton, Ontario.

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

Progress has been made on the Near Surface Disposal Facility project as the CNSC issued its decision, in January 2024, to amend the CNL operating licence at Chalk River Laboratories to permit the construction of the proposed Near Surface Disposal Facility. This decision comes after a lengthy regulatory process, including a July 2022 CNSC decision to extend the Indigenous consultation period requiring the CNSC staff, CNL and AECL to submit additional evidence and information on the subject of engagement and consultation. Pending judicial reviews associated with the CNSC decision are currently before the Federal Court, which carry a further risk of project delay; AECL will adapt its plans accordingly when decisions are rendered.

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

Financial Review

(\$ millions)	Three Months Ended	
	2024	June 30 2023
Revenues		
Parliamentary appropriations	\$ 253	\$ 251
Commercial revenue	39	25
Interest income	6	7
	298	283
Expenses		
Cost of sales	24	18
Operating expenses	21	19
Contractual expenses	64	55
Decommissioning, waste management and contaminated sites expenses	(8)	15
	101	107
Surplus for the period	\$ 197	\$ 176

Parliamentary Appropriations

The government of Canada provides funding quarterly for AECL to advance its priorities and deliver on its mandate. AECL recognized \$253 million of Parliamentary appropriations in the first quarter of 2024-25, comparable to the \$251 million recognized in the same period in 2023-24.

Commercial Revenue

In the first quarter of 2024-25, \$39 million in revenue was recognized, compared to \$25 million for the same period in 2023-24. Revenue included research and development activities performed by CNL for commercial customers, as well as heavy water sales. The quarterly increase in commercial revenue is a result of increased heavy water sales.

Interest Income

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

Cost of Sales

Cost of sales is higher compared to the prior periods due to increased commercial revenue, but is lower as a percentage of commercial revenue due to increased sales of higher margin heavy water.

Operating Expenses

Operating expenses are largely comprised of AECL's oversight expenses and amortization of tangible capital assets. Operating expenses in the first quarter of \$21 million are comparable to that of the same period in 2023-24.

Contractual Expenses

AECL delivers its mandate through a long-term contract with CNL for the operation of its sites. A portion of CNL expenditures are reported by AECL as Contractual expenses. Expenses in this category for the first quarter total \$64 million, compared to \$55 million in the first quarter of 2023-24. The variance is largely a result of increased spending on science and technology activities.

Decommissioning, Waste Management and Contaminated Sites Expenses

Decommissioning, waste management and contaminated sites expenses consist of financial expenses, the impact on the liability of a change in discount rate, and the revaluation (gain) loss, if any, on these reported liabilities. Financial expenses reflect the increase in the net present value (accretion of discount) of these reported liabilities. Changes in discount rate will impact the net present value of the reported liabilities. If the discount rate increases during the period, the result would be a decrease in the Decommissioning, waste management and contaminated sites expenses. If the discount rate decreases, the result would be an increase to the reported expenses. For a sensitivity of a 1% change in the discount rate, refer to the annual audited financial statements dated March 31, 2024. Revaluation gains and losses represent changes to the estimates for the reported obligations.

Decommissioning, waste management and contaminated sites expenses in the first quarter of 2024-25 are lower than the same period in 2023-24 primarily due to the changes in discount rates in the current quarter compared to the prior period.

Surplus (Deficit) for the Period

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

Outlook

AECL's planned activities are set out in its Corporate Plan. The 2024-25 year-to-date expenditures are generally comparable to the planned results. Priorities and deliverables have not materially changed in the first three months of 2024-25.

Cash Flow and Working Capital

(\$ millions)	Three Months Ended	
	2024	June 30 2023
Cash provided by operating transactions	\$ 261	\$ 111
Cash applied to capital transactions	(53)	(54)
Cash applied to investing transactions	(2)	(51)
Increase in cash	206	6
Balance at beginning of the period	226	146
Balance at end of the period	\$ 432	\$ 152

Operating Transactions

Operating transactions generated a net cash inflow of \$261 million in the first quarter of 2024-25, compared to an inflow of \$111 million during the same period of the previous year. The variance is a result of deferred appropriations received in the first quarter of 2024-25, for second quarter activities. Refer to Note 10 of the unaudited financial statements for a reporting on how appropriations received were used during the period.

Capital Transactions

Capital transactions used cash in the first quarter of 2024-25 of \$53 million which is consistent with the \$54 million in the same period in the previous year.

Investing Transactions

The \$2 million cash used in investing transactions in the first quarter of 2024-25 was a decrease over the same period in the prior year primarily due to increased investment in short-term investments in the prior period.

Highlights of the Statement of Financial Position

<i>(\$ millions)</i>	June 30 2024	March 31 2024	Variance In \$	Variance By %
Financial Assets	\$ 854	\$ 653	\$ 201	31%
Liabilities	10,194	10,168	26	0%
Non-Financial Assets	1,120	1,097	23	2%
Accumulated Deficit	(8,219)	(8,418)	199	-2%

AECL closed the first quarter of 2024-25 with Financial Assets of \$854 million, which represents a \$201 million increase from March 31, 2024. This variance is mainly the result of the timing of receipt of appropriations in the quarter.

The increase in Liabilities of \$26 million can be attributed primarily to a \$323 million increase in deferred funding, partly offset by a decrease in Decommissioning, waste management and contaminated sites liabilities and accrued liabilities.

Use of Parliamentary Appropriations

AECL receives its funding primarily through Parliamentary appropriations. The appropriations are drawn down based on quarterly cash flow projections and may not necessarily match the timing of expenses reported in the Statement of Operations. AECL records Parliamentary appropriations received in the period as revenue in the Statement of Operations or as Deferred funding in the Statement of Financial Position to the extent they relate to the months following the period end. Refer to Note 10 of the unaudited financial statements for a reporting on how appropriations received were used during the period.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as Management determines are necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

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



Fred Dermarkar

President and Chief Executive Officer

August 20, 2024

Chalk River, Canada



Thomas Assimes

Chief Financial Officer

August 20, 2024

Chalk River, Canada

UNAUDITED FINANCIAL STATEMENTS

Statement of Financial Position

As at

<i>(thousands of Canadian dollars)</i>	Notes	June 30 2024	March 31 2024
Financial Assets			
Cash		\$ 432,563	\$ 225,870
Investments	3	339,887	338,522
Trade and other receivables	4	46,398	47,492
Inventories held for resale		35,188	40,647
		854,036	652,531
Liabilities			
Accounts payable and accrued liabilities	5	11,945	22,846
Employee future benefits	6	11,524	11,729
Due to Canadian Nuclear Laboratories		234,313	288,854
Deferred funding	10	323,100	-
Decommissioning and waste management provision	7	8,517,581	8,672,132
Contaminated sites liability	8	1,095,253	1,172,128
		10,193,716	10,167,689
Net Debt		(9,339,680)	(9,515,158)
Non-Financial Assets			
Tangible capital assets	9	1,119,179	1,097,004
Prepaid expenses		1,074	-
		1,120,253	1,097,004
Accumulated Deficit		(8,219,427)	(8,418,154)
Accumulated deficit is comprised of:			
Accumulated operating deficit		(8,219,206)	(8,416,891)
Accumulated remeasurement losses		(221)	(1,263)
		\$ (8,219,427)	\$ (8,418,154)

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

Statement of Operations

<i>(thousands of Canadian dollars)</i>	Notes	Three Months Ended		
		2025 Budget	2024	June 30 2023
Revenues				
Parliamentary appropriations	10	\$ 1,591,822	\$ 252,900	\$ 250,700
Commercial revenue		128,850	38,547	25,073
Interest income		4,000	6,941	6,771
		1,724,672	298,388	282,544
Expenses				
Cost of sales		90,195	23,523	17,689
Operating expenses		73,147	21,205	18,893
Contractual expenses	11	258,479	64,423	55,469
Decommissioning, waste management and contaminated sites expenses		279,903	(8,448)	15,391
		701,724	100,703	107,442
Surplus for the period		1,022,948	197,685	175,102
Accumulated operating deficit, beginning of period		(8,416,891)	(8,416,891)	(8,761,229)
Accumulated operating deficit, end of period		\$ (7,393,943)	\$ (8,219,206)	\$ (8,586,127)

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

Statement of Remeasurement Gains and Losses

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2024	2023
Accumulated remeasurement losses, beginning of period	\$ (1,263)	\$ (2,696)
Remeasurement losses arising during the period		
Unrealized losses on equity instruments quoted in an active market	(1,482)	-
Unrealized gains (losses) on investments in other securities	314	(882)
Reclassifications to the Statement of Operations		
Realized losses on investments in other securities	2,210	451
Net remeasurement gains (losses) for the period	1,042	(431)
Accumulated remeasurement losses, end of period	\$ (221)	\$ (3,127)

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

Statement of Change in Net Debt

<i>(thousands of Canadian dollars)</i>	Notes	Three Months Ended		
		2025 Budget	2024	June 30 2023
Surplus for the period		\$ 1,022,948	\$ 197,685	\$ 175,102
Tangible capital assets				
Acquisition of tangible capital assets	9	(159,000)	(34,715)	(39,653)
Amortization of tangible capital assets	9	44,602	12,560	12,003
Other changes	9	-	(20)	-
		(114,398)	(22,175)	(27,650)
Non-financial assets				
Changes in prepaid expenses		-	(1,074)	(412)
Net remeasurement gains (losses) for the period		-	1,042	(431)
Decrease in net debt		908,550	175,478	146,609
Net debt, beginning of period		(9,515,158)	(9,515,158)	(9,738,507)
Net debt, end of period		\$ (8,606,608)	\$ (9,339,680)	\$ (9,591,898)

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

Statement of Cash Flows

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2024	2023
Operating transactions		
Cash receipts from Parliamentary appropriations	\$ 576,000	\$ 411,200
Cash receipts from customers and other sources	38,062	18,872
Cash paid to suppliers	(130,607)	(100,425)
Cash paid to employees	(5,579)	(4,996)
Cash paid for decommissioning, waste management and contaminated sites activities	(222,978)	(219,256)
Cash paid for acquisition of investments in the Long-term disposal of waste fund	(17,540)	(180)
Cash receipts from redemption of investments in the Long-term disposal of waste fund	17,896	-
Interest received	5,959	5,530
Cash provided by operating transactions	261,213	110,745
Capital transactions		
Acquisition of tangible capital assets	(52,514)	(54,292)
Cash applied to capital transactions	(52,514)	(54,292)
Investing transactions		
Cash paid for acquisition of Other investments	(155,492)	(50,652)
Cash receipts from redemption of Other investments	153,485	-
Cash applied to investing transactions	(2,007)	(50,652)
Increase in cash	206,693	5,801
Cash, beginning of period	225,870	145,522
Cash, end of period	\$ 432,563	\$ 151,323

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

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended June 30, 2024

(Expressed in thousands of Canadian dollars)

(Unaudited)

1. General Information

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

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

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

AECL's 2024-2025 to 2028-2029 Corporate Plan received Governor in Council approval in the fourth quarter of the 2023-24 fiscal year. The Corporate Plan is aligned with the direction provided by AECL's sole shareholder, the Government of Canada, and reflects AECL's plans and priorities to be delivered under the Government-owned, Contractor-operated model.

2. Significant Accounting Policies

Basis of Accounting

These quarterly financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB) and should be read in conjunction with the annual audited financial statements dated March 31, 2024. The accounting policies used in these statements are consistent with those disclosed in the most recent annual audited financial statements dated March 31, 2024.

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 regularly to reflect new information as it becomes available. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

Budget Figures

The 2024-25 budget is reflected in the Statement of Operations and the Statement of Change in Net Debt. Budget data presented in these financial statements is based upon the 2024-25 projections and estimates contained within the 2024-25 to 2028-29 Corporate Plan.

3. Investments

	June 30, 2024			
	Long-term Disposal of Waste Fund	Investments Held in Trust	Other Investments	Total
<i>(thousands of Canadian dollars)</i>				
Short-term investments	\$ -	\$ -	\$ 122,737	\$ 122,737
Canadian government bonds*	-	-	60,718	60,718
Corporate bonds	12,966	31,046	45,327	89,339
Canadian equities**	5,466	11,695	-	17,161
Global equities**	15,134	34,798	-	49,932
	\$ 33,566	\$ 77,539	\$ 228,782	\$ 339,887

<i>(thousands of Canadian dollars)</i>	March 31, 2024			
	Long-term			
	Disposal of	Investments	Other	
	Waste Fund	Held in Trust	Investments	Total
Short-term investments	\$ 18,000	\$ 6,014	\$ 127,702	\$ 151,716
Canadian government bonds*	-	57,084	53,233	110,317
Corporate bonds	6,456	13,973	45,219	65,648
Canadian equities**	2,760	-	-	2,760
Global equities**	8,081	-	-	8,081
	\$ 35,297	\$ 77,071	\$ 226,154	\$ 338,522

* Canadian government bonds include federal, provincial and municipal bonds

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

4. Trade and Other Receivables

<i>(thousands of Canadian dollars)</i>	June 30 2024	March 31 2024
Trade receivables	\$ 14,099	\$ 16,330
Unbilled revenue	14,034	16,845
Consumption taxes receivable	18,265	14,317
	\$ 46,398	\$ 47,492

5. Accounts Payable and Accrued Liabilities

<i>(thousands of Canadian dollars)</i>	June 30 2024	March 31 2024
Trade payables	\$ 4,272	\$ 4,159
Other payables and accrued expenses	2,962	10,800
Accrued payroll liabilities	735	2,694
Amounts due to related parties	1,187	825
Provisions	165	165
Customer advances and obligations	2,624	4,203
	\$ 11,945	\$ 22,846

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

6. Employee Future Benefits

a) Pension Plan

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

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

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2024	2023
Payments by employees	\$ 342	\$ 297
Payments by employer	828	782

The government of Canada holds a statutory obligation for the payment of benefits relating to the PSPP. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two per cent of pensionable service, multiplied by the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and are indexed to inflation.

b) Other Employee Future Benefits

AECL provides certain voluntary termination compensation and other post-employment benefits as described in Note 2(e) of the annual audited financial statements dated March 31, 2024. The defined benefit obligation is not funded, as funding is provided when benefits are paid. Accordingly, there are no plan assets and the defined plan deficit is equal to the defined benefit obligation.

The voluntary termination compensation included in the reported Employee future benefits liability is \$4.4 million (March 31, 2024: \$4.4 million) and is payable in instances of future voluntary resignations and retirements.

7. Decommissioning and Waste Management Provision

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

	Three Months Ended	Year Ended
	June 30	March 31
<i>(thousands of Canadian dollars)</i>	2024	2024
Carrying amount - Beginning of period	\$ 8,672,132	\$ 8,723,480
Liabilities settled	(135,339)	(595,264)
Unwinding of discount	71,357	267,465
Effect of change in discount rate	(90,967)	(383,756)
Revision in estimate and timing of expenditures	-	658,238
Estimates affecting Property, plant and equipment and future disposal costs for waste from ongoing operations	398	1,969
Carrying amount - End of period	\$ 8,517,581	\$ 8,672,132

The undiscounted future expenditures, adjusted for inflation, for the planned activities comprising the liability are \$17,411.4 million (March 31, 2024: \$17,546.7 million).

The provision was discounted using a rate of 3.36% as at June 30, 2024. The opening balance as at March 31, 2024 was discounted using a rate of 3.29%.

8. Contaminated Sites Liability

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

	Three Months Ended	Year Ended
	June 30	March 31
<i>(thousands of Canadian dollars)</i>	2024	2024
Carrying amount - Beginning of period	\$ 1,172,128	\$ 1,333,856
Liabilities settled	(88,036)	(353,570)
Unwinding of discount	10,243	40,907
Effect of change in discount rate	918	(21,214)
Revision in estimate and timing of expenditures	-	172,149
Carrying amount - End of period	\$ 1,095,253	\$ 1,172,128

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

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

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

The liability is discounted using net present value techniques at a rate of 3.47% at June 30, 2024. The opening balance as at March 31, 2024 was discounted using a rate of 3.50%. The estimated total undiscounted expenditures are \$1,243.6 million (March 31, 2024: \$1,331.6 million).

9. Tangible Capital Assets

(thousands of Canadian dollars)

	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
Cost at March 31, 2024	\$ 364,085	\$ 167,740	\$ 705,098	\$ 549,451	\$ 1,786,374
Additions and transfers	34,715	2,174	258	1,337	38,484
Disposals and transfers	(3,769)	-	-	(331)	(4,100)
Cost at June 30, 2024	395,031	169,914	705,356	550,457	1,820,758
Accumulated amortization at March 31, 2024	-	68,772	278,777	341,821	689,370
Increase in amortization	-	1,432	4,941	6,187	12,560
Disposals and transfers	-	-	226	(577)	(351)
Accumulated amortization at June 30, 2024	-	70,204	283,944	347,431	701,579
Net carrying amount at March 31, 2024	364,085	98,968	426,321	207,630	1,097,004
Net carrying amount at June 30, 2024	\$ 395,031	\$ 99,710	\$ 421,412	\$ 203,026	\$ 1,119,179

10. Parliamentary Appropriations

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2024	2023
Parliamentary appropriations for operating, capital and statutory expenditures		
Amount received during the period for operating, capital and statutory expenditures	\$ 576,000	\$ 411,200
Amount receivable from a previous period	-	(160,500)
Amount received related to the next period (Deferred funding)	(323,100)	-
Total Parliamentary appropriations recognized	\$ 252,900	\$ 250,700

The difference between Parliamentary appropriations received and recognized relates to amounts received but related to either a previous or subsequent quarter. The appropriations approved for operating and capital expenditures for the year ending March 31, 2024 total \$1,591.3 million.

11. Contractual Arrangement

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

The following contractual expenses were incurred:

	Three Months Ended	
	June 30	
<i>(thousands of Canadian dollars)</i>	2024	2023
Contractual amounts paid or payable	\$ 338,642	\$ 326,588
Less: Costs charged to Decommissioning and waste management provision and Contaminated sites liability	(222,618)	(218,680)
Less: Costs charged to Construction in progress	(34,715)	(39,653)
Less: Costs classified as Cost of sales	(16,886)	(12,786)
Contractual expenses	\$ 64,423	\$ 55,469

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



**Atomic Energy of
Canada Limited**
Chalk River Laboratories
286 Plant Road, Stn 508A
Chalk River, Ontario
Canada K0J 1J0

Inquiries

Public requests for information
Email: communications@aecl.ca

Visit Our Website

www.aecl.ca