



Management's discussion and analysis

for the quarter ended September 30, 2018

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This management's discussion and analysis (MD&A) includes information that will help you understand management's perspective of our unaudited condensed consolidated interim financial statements and notes for the quarter ended September 30, 2018 (interim financial statements). The information is based on what we knew as of November 1, 2018 and updates our first quarter, second quarter and annual MD&A included in our 2017 annual report.

As you review this MD&A, we encourage you to read our interim financial statements as well as our audited consolidated financial statements and notes for the year ended December 31, 2017 and annual MD&A. You can find more information about Cameco, including our audited consolidated financial statements and our most recent annual information form, on our website at cameco.com, on SEDAR at sedar.com or on EDGAR at sec.gov. You should also read our annual information form before making an investment decision about our securities.

The financial information in this MD&A and in our financial statements and notes are prepared according to International Financial Reporting Standards (IFRS), unless otherwise indicated.

Unless we have specified otherwise, all dollar amounts are in Canadian dollars.

Throughout this document, the terms we, us, our and Cameco mean Cameco Corporation and its subsidiaries unless otherwise indicated.

Caution about forward-looking information

Our MD&A includes statements and information about our expectations for the future. When we discuss our strategy, plans, future financial and operating performance, or other things that have not yet taken place, we are making statements considered to be *forward-looking information* or *forward-looking statements* under Canadian and United States (US) securities laws. We refer to them in this MD&A as *forward-looking information*.

Key things to understand about the forward-looking information in this MD&A:

- It typically includes words and phrases about the future, such as: anticipate, believe, estimate, expect, plan, will, intend, goal, target, forecast, project, strategy and outlook (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of *material assumptions*, including those we have listed on page 3, which may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, due to the risks associated with our business. We list a number of these *material risks* below. We recommend you also review our annual information form, first quarter, second quarter and annual MD&A, which includes a discussion of other *material risks* that could cause actual results to differ significantly from our current expectations.
- Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Examples of forward-looking information in this MD&A

- the discussion under the headings *Our strategy* and *Strategy in action*
- our expectations about 2018 and future global uranium supply, consumption, contracting volumes and demand, including the discussion under the heading *Third quarter market update*
- the discussion of our expectations relating to our Canada Revenue Agency (CRA) transfer pricing dispute, including our estimate of the amount and timing of cash taxes and transfer pricing penalties
- our 2018 consolidated outlook and the outlook for our uranium and fuel services segments for 2018
- our expectations for our average realized uranium price for 2018 and the fourth quarter of 2018.
- our expectations for 2019 uranium purchases
- our expectations for uranium deliveries for the remainder of 2018
- our price sensitivity analysis for our uranium segment
- our expectations regarding 2018 cash flow, and that existing cash balances and operating cash flows will meet our anticipated 2018 capital requirements
- our expectation that our operating and investment activities for the remainder of 2018 will not be constrained by the financial-related covenants in our unsecured revolving credit facility
- our future plans and expectations for each of our uranium operating properties and fuel services operating sites, including production levels
- our expectations related to care and maintenance costs

Material risks

- actual sales volumes or market prices for any of our products or services are lower than we expect for any reason, including changes in market prices, loss of market share to a competitor or trade restrictions
- we are adversely affected by changes in currency exchange rates, interest rates, royalty rates, or tax rates
- our production costs are higher than planned, or necessary supplies are not available, or not available on commercially reasonable terms
- our strategies are unsuccessful or have unanticipated consequences
- our estimates of production, purchases, cash flow, costs, decommissioning, reclamation expenses, or our tax expense prove to be inaccurate
- we are unable to enforce our legal rights under our existing agreements, permits or licences
- the necessary permits or approvals from government authorities are not obtained or maintained
- any difficulties in milling of Cigar Lake ore at McClean Lake mill, including water treatment
- JV Inkai's development, mining or production plans are delayed or do not succeed for any reason
- our Cigar Lake development, mining or production plans are delayed or do not succeed for any reason
- we are subject to litigation or arbitration that has an adverse outcome, including lack of success in our dispute with CRA
- we are unsuccessful in our dispute with CRA and this results in significantly higher cash taxes, interest charges and penalties that could have a material adverse effect on us
- we are unable to utilize letters of credit to the extent anticipated in our dispute with CRA
- there are defects in, or challenges to, title to our properties
- our mineral reserve and resource estimates are not reliable, or there are challenging or unexpected geological, hydrological or mining conditions
- we are affected by environmental, safety and regulatory risks, including increased regulatory burdens or delays
- government laws, regulations, policies, or decisions that adversely affect us, including tax and trade laws

- the outcome of the investigation initiated by the US Department of Commerce (DOC) under Section 232 of the Trade Expansion Act, which may result in the US imposing tariffs or quotas on uranium imports
- our expectations relating to care and maintenance costs prove to be inaccurate
- we are affected by political risks
- we are affected by terrorism, sabotage, blockades, civil unrest, social or political activism, accident or a deterioration in political support for, or demand for, nuclear energy
- we are impacted by changes in the regulation or public perception of the safety of nuclear power plants, which adversely affect the construction of new plants, the relicensing of existing plants and the demand for uranium
- our uranium suppliers fail to fulfil delivery commitments or our uranium purchasers fail to fulfil purchase commitments
- we are affected by natural phenomena, including inclement weather, fire, flood and earthquakes
- operations are disrupted due to problems with facilities, the unavailability of reagents, equipment, operating parts and supplies critical to production, equipment failure, lack of tailings capacity, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave-ins, ground movements, tailings dam failures, transportation disruptions or accidents, or other development and operating risks

Material assumptions

- our expectations regarding sales and purchase volumes and prices for uranium and fuel services, trade restrictions and that the counterparties to our sales and purchase agreements will honour their commitments
- our expectations regarding the demand for and supply of uranium
- our expectations regarding spot prices and realized prices for uranium, and other factors discussed under the heading *Price sensitivity analysis: uranium segment*
- that the construction of new nuclear power plants and the relicensing of existing nuclear power plants will not be more adversely affected than expected by changes in regulation or in the public perception of the safety of nuclear power plants
- our ability to continue to supply our products and services in the expected quantities and at the expected times
- our expected production levels for uranium and conversion services
- our cost expectations, including production costs, and purchase costs
- the success of our plans and strategies
- the agreement of our partners with our plans and strategies
- our expectations regarding tax rates and payments, royalty rates, currency exchange rates and interest rates
- our expectations about the outcome of dispute with CRA
- the outcome of the investigation initiated by the DOC under Section 232 of the Trade Expansion Act does not result in the US imposing tariffs or quotas on uranium imports
- we are able to utilize letters of credit to the extent anticipated in our dispute with CRA
- our decommissioning and reclamation expenses
- our mineral reserve and resource estimates, and the assumptions upon which they are based, are reliable
- our understanding of the geological, hydrological and other conditions at our uranium properties
- our Cigar Lake development, mining and production plans succeed
- the McClean Lake mill is able to process Cigar Lake ore as expected
- JV Inkai's development, mining and production plans succeed
- that care and maintenance costs will be as expected
- our and our contractors' ability to comply with current and future environmental, safety and other regulatory requirements, and to obtain and maintain required regulatory approvals
- operations are not significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, civil unrest, breakdown, natural disasters, governmental or political actions, litigation or arbitration proceedings, the unavailability of reagents, equipment, operating parts and supplies critical to production, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave-ins, ground movements, tailings dam failure, lack of tailings capacity, transportation disruptions or accidents, or other development or operating risks

Our strategy

We are a pure-play nuclear fuel supplier, focused on taking advantage of the long-term growth we see coming in our industry, while maintaining the ability to respond to market conditions as they evolve. Our strategy is to focus on our tier-one assets and profitably produce at a pace aligned with market signals in order to preserve the value of those assets and increase long-term shareholder value, and to do that with an emphasis on safety, people and the environment.

Due to an oversupplied market and the resulting weak market conditions we have undertaken a number of deliberate and disciplined actions: we have focused on preserving the value of our lowest cost assets, on maintaining a strong balance sheet, on protecting and extending the value of our contract portfolio and on efficiently managing the company in a low price environment.

We evaluate our strategy in the context of our market environment and continue to adjust our actions in accordance with the following marketing framework:

- First, we will not produce from our tier-one assets to sell into an oversupplied spot market. We will not produce from these assets unless we can commit our tier-one pounds under long-term contracts that provide an acceptable rate of return for our owners.
- Second, we do not intend to build up an inventory of excess uranium. Excess inventory serves to contribute to the sense that uranium is abundant and creates an overhang on the market, and it ties up working capital on our balance sheet.
- Third, in addition to our committed sales, we will capture demand in the market where we think we can obtain value. We will take advantage of opportunities the market provides, where it makes sense from an economic, logistical and strategic point of view. Those opportunities may come in the form of spot, mid-term or long-term demand, and will be additive to our current committed sales.
- Fourth, once we capture demand, we will decide how to best source material to satisfy that demand. Depending on the timing and volume of our production, purchase commitments, and our inventory volumes, this means we will be active buyers in the market in order to meet our demand obligations.
- And finally, in general, if we choose to source material to meet demand by purchasing it, we expect the price of that material will be more than offset by the leverage to market prices in our sales portfolio over a rolling 12-month period.

In addition to this framework, our contracting decisions always factor in who the customer is, our desire for regional diversification, the product form, and logistical factors.

We believe this approach provides us with the opportunity to meet rising demand with increased production from our best margin assets, helps to mitigate risk, and will allow us to create long-term value for our shareholders. And, as always, our focus will continue to be on maximizing cash flow, while maintaining our investment-grade rating so we can self-manage risk, including being in a position to retire our 2019 debt maturity when it comes due.

You can read more about our strategy in our 2017 annual MD&A.

Strategy in action

In July 2018, we announced the extended shutdown of McArthur River/Key Lake, which resulted in the permanent layoff of approximately 520 site employees. As a result of the layoffs, we incurred \$27 million in severance costs, which were expensed directly to cost of sales in the third quarter, see *Financial results by segment – Uranium* starting on page 20.

In addition, as a further cost cutting measure, we announced a reduction in the corporate office workforce of approximately 150 positions, resulting in severance costs of \$13 million being expensed as part of our administrative costs for the quarter, see *Corporate expenses – Administration* on page 10.

In conjunction with the production suspension at McArthur River/Key Lake, we have drawn down our inventory by 17.2 million pounds since the beginning of the year, freeing up significant working capital. In addition, we have begun the necessary purchasing to meet our delivery commitments in 2018 and 2019. Since the end of July, we have secured 2.9 million pounds. For further information, see *Outlook for 2018* on page 15.

Although we have been actively purchasing material, it is too early to determine if any trends are emerging. However, in general, the volume of material on offer has not been surprising, and appears to be decreasing. In terms of pricing, we have seen some offers with aggressive discounting and others with premium pricing, however, the pricing range appears to be tightening.

We have also been successful in securing long-term purchase arrangements for more than 7 million pounds of uranium concentrates for future delivery through 2028. The deliveries are heavily weighted to the years 2025 through 2028. As previously reported, we have long-term sales commitments to deliver about 150 million pounds of uranium concentrates. Securing this material today, provides us with added flexibility in making future sourcing decisions to fulfil our delivery commitments, without the need to build inventory. These arrangements also allow us to defer capital investment decisions and still meet future demand. Further, securing material today for future delivery allows us to lock in pounds at today's low uranium prices, and with price escalation based on today's low interest rates. Since we are not required to pay until we take delivery, we do not tie up cash on our balance sheet. In addition, we believe it removes these pounds from the spot market. Finally, these arrangements help mitigate risk. We believe we can advance delivery under these contracts if we are unable to find the pounds we need, or are unable to find the pounds we need at a reasonable price, to meet our delivery commitments while McArthur River/Key Lake production is suspended.

To the end of the third quarter, under the agreement with our partner, Orano, we have delivered 4.1 million pounds of uranium concentrates, out of a total of up to 5.4 million pounds. Orano is obligated to repay us, in kind, with uranium concentrates no later than December 31, 2023.

Third quarter market update

The uranium market is showing a marked improvement compared to a year ago and relative to the first half of the year. There have been significant production cuts, reductions in producer inventories, and an increase in demand for uranium in the spot market from producers and financial players. These actions have helped remove excess material from the spot market and have put pressure on uranium prices. The current spot price is up about 23% compared to the end of June, and is almost 40% higher compared to the end of October last year. Whereas, the long-term price is up about 9% compared to the end of June, and is about 6% higher compared to a year ago.

The market continues to try to digest the changing industry dynamics, including the developments discussed above and below.

In the US, which has the largest fleet of nuclear reactors in the world, the investigation launched by the DOC on July 18, 2018 under section 232 of the Trade Expansion Act continues. The investigation is to determine whether the quantity and circumstances of foreign uranium imports into the US threaten to impair national security. The investigation could take up to 270 days to complete. A report will then be provided to the President of the United States containing the DOC's findings and recommendations, if warranted. The President then has up to 90 days to decide whether to concur with the DOC findings and what actions, if any, will be taken in response. The deadline for public comments was September 25. The Ad Hoc Utilities Group, an organization comprised of US nuclear power generators, issued a statement urging the federal government to avoid taking any action on levying tariffs or quotas.

On October, 22, 2018, Kazatomprom announced its intent to proceed with an initial public offering on the Astana International Exchange and the London Stock Exchange for securities representing up to 25% of its issued share capital. In its announcement, it states, "The Group has substantially changed its strategic approach to being a market-centric operator, as opposed to production-led operator."

In Japan, the court injunction that caused the shutdown of Shikoku's Ikata 3 reactor last year was successfully overturned, allowing that reactor to restart, which will bring the total number of reactors operating to nine. In China, five reactor units have been connected to the grid so far in 2018, and four additional units are projected to be connected to the grid by the end of the year. In Russia, unit 4 of the Rostov nuclear power plant entered commercial operation, four months ahead of schedule. In addition, Russia and India have agreed to work together on a project to build six nuclear units at a new site in India.

Despite the improvements in the uranium market during the quarter, we believe there is still a need for some caution. There has not been a return of long-term contracting in meaningful quantities, and prices are still not where they need to be to restart the significant idled production capacity that exists, let alone incentivize investment in value-adding growth opportunities. In fact, before the market turns to growth and the addition of new production capacity, the material held by financial players needs to be considered. Over time, as the financial interests meet investment targets, we believe some of the material currently sequestered in these funds will make its way back into the market, potentially temporarily over supplying the spot market and putting downward pressure on prices.

Longer term, uranium demand is backed by steady reactor growth with 55 reactors under construction. While under construction, these reactors are not yet consuming uranium. Therefore, there has not yet been a corresponding increase in uranium consumption.

With each new reactor, comes the long-term need for a safe and reliable source of uranium. And while the availability of pounds in the spot market has helped to satisfy the needs of utilities in the near term, the continued risk of production curtailments, financially distressed producers, lack of investment in new primary supply, some mines approaching the end of their reserve life, declining secondary supplies, and growing uncovered requirements are expected to generate increasing pressure for fuel buyers to return to long-term contracting.

As annual supply adjusts, demand for uranium from producers and financial players increases, and uncovered requirements grow, we believe the pounds available in the spot market won't be enough to satisfy long-term demand. The need to eventually contract for replacement volumes to fill these uncovered requirements will create opportunities for producers that can weather today's low prices and provide a recovering market with uncommitted uranium from long-lived, tier-one assets.

Caution about forward-looking information relating to the nuclear industry

This discussion of our expectations for the nuclear industry, including its growth profile, uranium supply and demand, reactor growth, pressure for long-term contracting and utilities' uncovered requirements is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading *Caution about forward-looking information* beginning on page 2.

Industry prices at quarter end

	SEP 30 2018	JUN 30 2018	MAR 31 2018	DEC 31 2017	SEP 30 2017	JUN 30 2017
Uranium (\$US/lb U₃O₈)¹						
Average spot market price	27.50	22.65	21.05	23.75	20.33	20.15
Average long-term price	31.75	29.00	29.00	31.00	30.50	33.00
Fuel services (\$US/kgU as UF₆)¹						
<i>Average spot market price</i>						
North America	13.08	9.03	6.68	5.80	4.55	5.13
Europe	13.50	9.38	6.93	6.13	4.93	5.50
<i>Average long-term price</i>						
North America	15.75	14.25	12.25	13.00	14.50	14.50
Europe	16.00	14.25	12.25	13.00	14.25	14.25

Note: the industry does not publish UO₂ prices.

¹ Average of prices reported by TradeTech and Ux Consulting LLC (UxC)

On the spot market, where purchases call for delivery within one year, the volume reported by UxC for the third quarter of 2018 was approximately 27 million pounds, compared to 12 million pounds in the third quarter of 2017. Total volume in the spot market year-to-date is 70 million pounds, significantly higher than in previous years. At the end of the quarter, the average reported spot price was \$27.50 (US) per pound, up \$4.85 (US) from the previous quarter.

Long-term contracts usually call for deliveries to begin more than two years after the contract is finalized, and use a number of pricing formulas, including fixed prices escalated over the term of the contract, and market referenced prices (spot and long-term indicators) quoted near the time of delivery. The volume of long-term contracting reported by UxC for the first nine months of 2018 was about 58 million pounds compared to about 63 million pounds reported over the same period in 2017. Volumes continue to be less than the quantities consumed, and remain largely discretionary due to currently high inventory levels. The average reported long-term price at the end of the quarter was \$31.75 (US) per pound, up \$2.75 (US) from last quarter.

Spot UF₆ conversion prices increased in both the North American and European markets, as did long-term UF₆ conversion prices.

Shares and stock options outstanding

At October 31, 2018, we had:

- 395,792,732 common shares and one Class B share outstanding
- 8,972,563 stock options outstanding, with exercise prices ranging from \$11.32 to \$39.53

Dividend

For 2018, an annual dividend of \$0.08 per common share has been declared, payable on December 14, 2018, to shareholders of record on November 30, 2018. In 2017, our board of directors reduced the planned dividend to \$0.08 per common share to be paid annually. The decision to declare a dividend by our board is based on our cash flow, financial position, strategy and other relevant factors including appropriate alignment with the cyclical nature of our earnings.

Also of note:

During the quarter it was announced that we had entered into an agreement to sell our interest in the Wheeler River Joint Venture. The deal closed on October 26, 2018. We will report a gain on the transaction in our fourth quarter financial results.

Financial results

This section of our MD&A discusses our performance, financial condition and outlook for the future.

In this MD&A, our 2018 financial outlook and other disclosures relating to our contract portfolio are presented on a basis which excludes the agreement with TEPCO, which is under dispute. See our annual MD&A for more information.

As of January 1, 2018, due to restructuring and a change in our ownership interest, we now account for JV Inkai on an equity basis, with no restatement of prior periods.

Consolidated financial results

CONSOLIDATED HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2018	2017	CHANGE	2018	2017	CHANGE
Revenue	488	486	-	1,260	1,348	(7)%
Gross profit (loss)	(6)	51	>(100%)	89	199	(55)%
Net earnings (losses) attributable to equity holders	28	(124)	>100%	6	(143)	>100%
\$ per common share (basic)	0.07	(0.31)	>100%	0.02	(0.36)	>100%
\$ per common share (diluted)	0.07	(0.31)	>100%	0.02	(0.36)	>100%
Adjusted net earnings (losses) (non-IFRS, see page 8)	15	(50)	>100%	9	(122)	>100%
\$ per common share (adjusted and diluted)	0.04	(0.13)	>100%	0.02	(0.31)	>100%
Cash provided by operations (after working capital changes)	278	154	81%	610	276	>100%

NET EARNINGS

The following table shows what contributed to the change in net earnings and adjusted net earnings (non-IFRS measure, see page 8) in the third quarter and the first nine months of 2018, compared to the same periods in 2017.

(\$ MILLIONS)		THREE MONTHS ENDED SEPTEMBER		NINE MONTHS ENDED SEPTEMBER	
		IFRS	ADJUSTED	IFRS	ADJUSTED
Net losses – 2017		(124)	(50)	(143)	(122)
Change in gross profit by segment (We calculate gross profit by deducting from revenue the cost of products and services sold, and depreciation and amortization (D&A))					
Uranium	Higher sales volume	8	8	13	13
	Higher (lower) realized prices (\$US)	(30)	(30)	27	27
	Foreign exchange impact on realized prices	7	7	(22)	(22)
	Higher costs	(45)	(45)	(109)	(109)
	Change – uranium	(60)	(60)	(91)	(91)
Fuel services	Lower sales volume	-	-	(2)	(2)
	Higher (lower) realized prices (\$Cdn)	4	4	(3)	(3)
	Higher costs	(3)	(3)	(3)	(3)
	Change – fuel services	1	1	(8)	(8)
Other changes					
	Lower administration expenditures	1	1	19	19
	Lower impairment charges	111	-	111	-
	Lower exploration expenditures	3	3	7	7
	Change in reclamation provisions	(14)	-	(65)	-
	Higher earnings from equity-accounted investee	2	2	6	6
	Change in gains or losses on derivatives	-	16	(86)	38
	Change in foreign exchange gains or losses	15	15	46	46
	Gain on restructuring of JV Inkai in 2018	-	-	49	-
	Gain on customer contract restructuring in 2018	-	-	6	6
	Reversal of tax provision related to CRA dispute	61	61	61	61
	Change in income tax recovery or expense	23	17	76	29
	Other	9	9	18	18
Net earnings – 2018		28	15	6	9

See *Financial results by segment* beginning on page 20 for more detailed discussion.

ADJUSTED NET EARNINGS (NON-IFRS MEASURE)

Adjusted net earnings are a measure that does not have a standardized meaning or a consistent basis of calculation under IFRS (non-IFRS measure). We use this measure as a meaningful way to compare our financial performance from period to period. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. Adjusted net earnings are our net earnings attributable to equity holders, adjusted to reflect the underlying financial performance for the reporting period. The adjusted earnings measure reflects the matching of the net benefits of our hedging program with the inflows of foreign currencies in the applicable reporting period, and has also been adjusted for impairment charges, reclamation provisions for our Rabbit Lake and US operations, which had been impaired, the gain on restructuring of JV Inkai, and income taxes on adjustments.

Adjusted net earnings are non-standard supplemental information and should not be considered in isolation or as a substitute for financial information prepared according to accounting standards. Other companies may calculate this measure differently, so you may not be able to make a direct comparison to similar measures presented by other companies.

The following table reconciles adjusted net earnings with net earnings for the third quarter and first nine months of 2018 and compares it to the same periods in 2017.

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	2018	2017
Net earnings (losses) attributable to equity holders	28	(124)	6	(143)
Adjustments				
Adjustments on derivatives	(24)	(40)	18	(106)
Impairment charges	-	111	-	111
Reclamation provision adjustments	5	(9)	50	(15)
Gain on restructuring of JV Inkai	-	-	(49)	-
Income taxes on adjustments	6	12	(16)	31
Adjusted net earnings (losses)	15	(50)	9	(122)

Every quarter we are required to update the reclamation provisions for all operations based on new cash flow estimates, discount and inflation rates. This normally results in an adjustment to an asset retirement obligation asset in addition to the provision balance. When the assets of an operation have been written off due to an impairment, as is the case with our Rabbit Lake and US ISR operations, the adjustment is recorded directly to the statement of earnings as “other operating expense (income)”. See note 10 of our interim financial statements for more information. This amount has been excluded from our adjusted net earnings measure.

Quarterly trends

HIGHLIGHTS (\$ MILLIONS EXCEPT PER SHARE AMOUNTS)	2018				2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Revenue	488	333	439	809	486	470	393	887	
Net earnings (losses) attributable to equity holders	28	(76)	55	(62)	(124)	(2)	(18)	(144)	
\$ per common share (basic)	0.07	(0.19)	0.14	(0.16)	(0.31)	(0.00)	(0.05)	(0.36)	
\$ per common share (diluted)	0.07	(0.19)	0.14	(0.16)	(0.31)	(0.00)	(0.05)	(0.36)	
Adjusted net earnings (losses) (non-IFRS, see page 8)	15	(28)	23	181	(50)	(44)	(29)	90	
\$ per common share (adjusted and diluted)	0.04	(0.07)	0.06	0.46	(0.13)	(0.11)	(0.07)	0.23	
Cash provided by (used in) operations (after working capital changes)	278	57	275	320	154	130	(8)	255	

Key things to note:

- our financial results are strongly influenced by the performance of our uranium segment, which accounted for 86% of consolidated revenues in the third quarter of 2018
- the timing of customer requirements, which tend to vary from quarter to quarter, drives revenue in the uranium and fuel services segments, meaning quarterly results are not necessarily a good indication of annual results due to seasonal variability
- net earnings do not trend directly with revenue due to unusual items and transactions that occur from time to time. We use adjusted net earnings, a non-IFRS measure, as a more meaningful way to compare our results from period to period (see page 8 for more information).
- cash from operations tends to fluctuate as a result of the timing of deliveries and product purchases in our uranium and fuel services segments

The following table compares the net earnings and adjusted net earnings for the third quarter to the previous seven quarters.

HIGHLIGHTS (\$ MILLIONS EXCEPT PER SHARE AMOUNTS)	2018			2017			2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Net earnings (losses) attributable to equity holders	28	(76)	55	(62)	(124)	(2)	(18)	(144)
Adjustments								
Adjustments on derivatives	(24)	20	22	(2)	(40)	(44)	(22)	23
Impairment charges	-	-	-	247	111	-	-	238
Reclamation provision adjustments	5	44	1	15	(9)	(12)	6	(28)
Gain on restructuring of JV Inkai	-	-	(49)	-	-	-	-	-
Income taxes on adjustments	6	(16)	(6)	(17)	12	14	5	1
Adjusted net earnings (losses) (non-IFRS, see page 8)	15	(28)	23	181	(50)	(44)	(29)	90

Corporate expenses

ADMINISTRATION

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2018	2017	CHANGE	2018	2017	CHANGE
Direct administration	23	38	(39)%	79	116	(32)%
Severance costs	13	-	-	13	-	-
Stock-based compensation	3	2	50%	14	9	56%
Total administration	39	40	(3)%	106	125	(15)%

Direct administration costs were \$15 million lower for the third quarter of 2018 compared to the same period last year, and \$37 million lower for the first nine months due mainly to changes to our global marketing structure, lower costs related to our CRA litigation and our continued actions to reduce costs.

Stock-based compensation in the first nine months was higher due to the 22% increase in our share price compared to the same period in 2017.

EXPLORATION

In the third quarter, uranium exploration expenses were \$5 million, a decrease of \$3 million compared to the third quarter of 2017. Exploration expenses for the first nine months of the year decreased by \$7 million compared to 2017, to \$17 million, due to a planned reduction in expenditures.

INCOME TAXES

We recorded an income tax recovery of \$87 million in the third quarter of 2018, compared to a recovery of \$3 million in the third quarter of 2017.

On an adjusted basis, we recorded an income tax recovery of \$93 million this quarter compared to a recovery of \$15 million in the third quarter of 2017, primarily due to the reversal of the provision related to our CRA dispute in the amount of \$61 million (see *Tax Court of Canada decision* starting on page 11 for more details). In addition, the change in reporting for JV Inkai also contributes to the difference. In 2018, we recorded losses of \$121 million in Canada compared to losses of \$31 million in 2017, while we recorded earnings of \$43 million in foreign jurisdictions compared to losses of \$34 million last year.

In the first nine months of 2018, we recorded an income tax recovery of \$106 million compared to an expense of \$31 million in 2017.

On an adjusted basis, we recorded an income tax recovery of \$90 million for the first nine months compared to a recovery of \$1 million in 2017 due primarily to the reversal of the provision related to our dispute with the CRA. Other factors include the change in the Saskatchewan corporate tax rate in 2017, as well as a change in the distribution of earnings among jurisdictions in 2018 which includes the change in accounting for JV Inkai. In 2018, we recorded losses of \$157 million in Canada compared to losses of \$27 million in 2017, while we recorded earnings of \$76 million in foreign jurisdictions compared to losses of \$95 million last year.

(\$ MILLIONS)	THREE MONTHS		NINE MONTHS	
	ENDED SEPTEMBER 30		ENDED SEPTEMBER 30	
	2018	2017	2018	2017
Pre-tax adjusted earnings¹				
Canada	(121)	(31)	(157)	(27)
Foreign	43	(34)	76	(95)
Total pre-tax adjusted earnings	(78)	(65)	(81)	(122)
Adjusted income taxes ¹				
Canada	(96)	(9)	(100)	10
Foreign	3	(6)	10	(11)
Adjusted income tax recovery	(93)	(15)	(90)	(1)

¹ Pre-tax adjusted earnings and adjusted income taxes are non-IFRS measures. Our IFRS-based measures have been adjusted by the amounts reflected in the table in adjusted net earnings (*non-IFRS measure* on page 8).

TRANSFER PRICING DISPUTE

Tax Court of Canada decision

On September 26, the Tax Court of Canada (Tax Court) ruled unequivocally in our favour in our case with the Canada Revenue Agency (CRA) for the 2003, 2005 and 2006 tax years.

The Tax Court ruled that our marketing and trading structure involving foreign subsidiaries and the related transfer pricing methodology used for certain intercompany uranium purchase and sale agreements were in full compliance with Canadian laws for the three tax years in question. While the decision applies only to the three tax years under dispute, we believe there is nothing in the decision that would warrant a materially different outcome for subsequent tax years.

The Tax Court has referred the matter back to the Minister of National Revenue in order to issue new reassessments for the 2003, 2005 and 2006 tax years in accordance with the Tax Court's decision. The total tax amount reassessed for those tax years was \$11 million, and we remitted 50%. Therefore, we expect to receive a refund of about \$5.5 million plus interest. The timing for the revised reassessments along with refunds plus interest may be delayed pending the outcome of the appeal. For further information regarding the appeal, see below.

In accordance with the ruling, we will be making an application to the Tax Court to recover substantial costs incurred over the course of this case. The actual cost award will be at the discretion of the Tax Court.

In addition, given the clear and decisive ruling in our favour, and the endorsement by the Tax Court of our transfer pricing methodology, we have reversed the provision on our balance sheet of \$61 million.

Appeals process

On October 25, 2018, CRA filed a notice of appeal with the Federal Court of Appeal. In its notice of appeal, CRA is not appealing the Tax Court's finding that sham was not present, but is appealing the Tax Court's interpretation and application of the transfer pricing provisions in section 247 of the Income Tax Act. We will not have more specific information on how and why the CRA believes the Tax Court was wrong in its interpretation of the transfer pricing provisions until we are in receipt of the CRA's complete written submissions.

We anticipate that it will take about two years to receive a decision from the Federal Court of Appeal. We believe there is nothing in the decision that would warrant a materially different outcome on appeal.

The decision of the Federal Court of Appeal can be appealed to the Supreme Court of Canada, but only if the Supreme Court agrees to hear the appeal. The request to appeal a decision of the Federal Court of Appeal to the Supreme Court of Canada must be made within 60 days of issuance of a Federal Court of Appeal decision.

In the event that either party appeals the Federal Court of Appeal decision, it would likely take about two years from the date the Federal Court of Appeal decision is issued to receive a decision from the Supreme Court of Canada should that court hear the appeal.

Potential exposure based on CRA appeal

Since 2008, CRA has disputed our marketing and trading structure and the related transfer pricing methodology we used for certain intercompany uranium sale and purchase agreements. To date, we have received notices of reassessment for our 2003 through 2012 tax years. While the Tax Court has ruled unequivocally in our favour for the 2003, 2005 and 2006 tax years, and we believe there is nothing in the decision that would warrant a materially different outcome on appeal, or for subsequent tax years we will continue to report on the potential exposure as we expect it will continue to tie up our financial capacity until the dispute is finally resolved for all years.

For the years 2003 to 2012, CRA has shifted CEL's income (as recalculated by CRA) back to Canada and applied statutory tax rates, interest and instalment penalties, and, from 2007 to 2011, transfer pricing penalties. We understand CRA is currently considering whether to impose a transfer pricing penalty for 2012. Taxes of approximately \$321 million for the 2003 to 2017 years have already been paid to date in a jurisdiction outside Canada. If CRA is successful on appeal, we will consider our options under bilateral international tax treaties to limit double taxation of this income. There is a risk that we will not be successful in eliminating all potential double taxation. The income adjustments claimed by CRA in its reassessments are represented by the amounts described below.

The Canadian income tax rules include provisions that require larger companies like us to remit or otherwise secure 50% of the cash tax plus related interest and penalties at the time of reassessment. To date, under these provisions, after applying elective deductions, we have paid or secured the amounts shown in the table below. We expect to receive a refund of approximately \$5.5 million plus interest of the amounts noted in the table below based on the ruling of the Tax Court. The timing of the refund may be delayed pending the outcome of the appeal.

YEAR PAID (\$ MILLIONS)	CASH TAXES	INTEREST AND INSTALMENT PENALTIES	TRANSFER PRICING PENALTIES	TOTAL	CASH REMITTANCE	SECURED BY LC
Prior to 2014	1	22	36	59	59	-
2014	106	47	-	153	153	-
2015	202	71	79	352	20	332
2016	51	38	31	120	32	88
2017	-	1	39	40	39	1
2018	17	40	-	57	-	57
Total	377	219	185	781	303	478

While we expect the Tax Court's decision to be upheld on appeal and believe the decision should apply in principle to subsequent years, until such time as all appeals are exhausted, and a resolution is reached for all tax years in question, not much may change for some time. We expect any further actions regarding the tax years 2007 through 2012 will be suspended until the three years covered under the decision are finally resolved, with the exception of the transfer pricing penalty noted above. The tax years 2013 and beyond have not yet been reassessed, and it is uncertain what approach CRA will take on audit. Despite the fact that we believe there is no basis to do so, and it is not our view of the likely outcome, CRA may continue to reassess us using the methodology it reassessed the 2003 through 2012 tax years with. In that scenario, and including the \$4.9 billion already reassessed, we would expect to receive notices of reassessment for a total of approximately \$8.4 billion of additional income taxable in Canada for the years 2003 through 2017, which would result in a related tax expense of approximately \$2.5 billion. As well, CRA may continue to apply transfer pricing penalties to taxation years subsequent to 2011. As a result, we estimate that cash taxes and transfer pricing penalties claimed by CRA for these years would be between \$1.95 billion and \$2.15 billion. In addition, CRA may seek to apply interest and instalment penalties that would be material to us. While in dispute, we would be required to remit or otherwise provide security for 50% of the cash taxes and transfer pricing penalties (between \$970 million and \$1.07 billion), plus related interest and instalment penalties assessed, which would be material to us. We have already paid or secured \$562 million in cash taxes and transfer pricing penalties and \$219 million in interest and instalment penalties.

Under the Canadian federal and provincial tax rules, the amount required to be paid or secured each year will depend on the amount of income reassessed in that year and the availability of elective deductions and tax loss carryovers. CRA has to date disallowed the use of any loss carry-backs for any transfer pricing adjustment, starting with the 2008 tax year. This does not impact the anticipated income tax expense for a particular year, but does impact the timing of any required security or payment. As noted above, for amounts reassessed after 2014, as an alternative to remitting cash, we used letters of credit to satisfy our obligations related to the reassessed income tax and related interest amounts. We believe we will be able to continue to provide security in the form of letters of credit to satisfy these requirements. The estimated amounts summarized in the table below reflect actual amounts paid or secured and estimated future amounts owing based on the actual and expected reassessments for the years 2003 through 2017, and include the expected timing adjustment for the inability to use any loss carry-backs starting with the 2008 tax year. The amounts have not been adjusted to reflect the refund of approximately \$5.5 million plus interest we expect to receive based on the ruling of the Tax Court. The timing of such refund may be delayed pending the outcome of the appeal. We plan to update this table annually to include the estimated impact of reassessments expected for completed years subsequent to 2017.

<u>\$ MILLIONS</u>	<u>2003-2017</u>	<u>2018-2019</u>	<u>2020-2023</u>	<u>TOTAL</u>
50% of cash taxes and transfer pricing penalties paid, secured or owing in the period				
Cash payments	226	65 - 90	120 - 145	410 - 460
Secured by letters of credit	319	10 - 35	230 - 255	560 - 610
Total paid¹	545	75 - 125	350 - 400	970 - 1070

¹ These amounts do not include interest and instalment penalties, which totaled approximately \$219 million to September 30, 2018.

In light of our view of the likely outcome of the appeal, and the dispute for subsequent years, based on the Tax Court's decision as described above, we expect to recover the amounts remitted, including the \$781 million already paid or otherwise secured to date.

We have spent a total of about \$57 million disputing the CRA reassessments and presenting our appeal in the Tax Court. This amount includes legal fees, expert witness fees, consultant fees, filing expenses, and other costs related to the case, from the time we started specifically tracking such costs in 2009, through 2018. The largest expenditures were incurred in 2016 and 2017 during trial preparation and Tax Court proceedings. Despite the appeal, in accordance with the ruling, we will be making an application to the Tax Court to recover substantial costs incurred over the course of this case. The actual cost award will be at the discretion of the Tax Court. We expect to incur additional costs during the appeal process, and in connection with potential reassessments of subsequent years. There could also be costs incurred if a negotiated resolution with CRA is sought or achieved.

Caution about forward-looking information relating to our CRA tax dispute

This discussion of our expectations relating to our tax dispute with CRA and future tax reassessments by CRA is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading Caution about forward-looking information beginning on page 2 and also on the more specific assumptions and risks listed below. Actual outcomes may vary significantly.

Assumptions

- CRA will reassess us for the years 2013 through 2017 using a similar methodology as for the years 2003 through 2012, and the reassessments will be issued on the basis we expect
- we will be able to apply elective deductions and utilize letters of credit to the extent anticipated
- CRA will seek to impose transfer pricing penalties (in a manner consistent with penalties charged in the years 2007 through 2011) in addition to interest charges and instalment penalties
- we will be substantially successful in our dispute with CRA, including any appeals of the Tax Court's decision or any decisions regarding other tax years, and we will not incur any significant tax liability resulting from the outcome of the dispute or other costs, potentially including costs associated with a negotiated resolution with CRA

Material risks that could cause actual results to differ materially

- CRA reassesses us for years 2013 through 2017 using a different methodology than for years 2003 through 2012, or we are unable to utilize elective deductions or letters of credit to the extent anticipated, resulting in the required cash payments or security provided to CRA pending the outcome of the dispute being higher than expected
- the time lag for the reassessments for each year is different than we currently expect
- we are unsuccessful in an appeal of the Tax Court's decision or any decisions of the Tax Court for subsequent years, or appeals of those decisions, and the outcome of our dispute with CRA, potentially including costs associated with a negotiated resolution with CRA, results in significant costs, cash taxes, interest charges and penalties which could have a material adverse effect on our liquidity, financial position, results of operations and cash flows
- cash tax payable increases due to unanticipated adjustments by CRA not related to transfer pricing
- we are unable to effectively eliminate any double taxation

FOREIGN EXCHANGE

The exchange rate between the Canadian dollar and US dollar affects the financial results of our uranium and fuel services segments. See *Revenue, adjusted net earnings, and cash flow sensitivity analysis* on page 16 for more information on how a change in the exchange rate will impact our revenue, cash flow, and adjusted net earnings (ANE) (see *Non-IFRS measures* on page 8).

We sell the majority of our uranium and fuel services products under long-term sales contracts, which are routinely denominated in US dollars, while our production costs are largely denominated in Canadian dollars. To provide cash flow predictability, we hedge a portion of our net US/Cdn exposure (e.g. total US dollar sales less US dollar expenditures and product purchases) to manage shorter term exchange rate volatility. Our results are therefore affected by the movements in the exchange rate on our hedge portfolio, and on the unhedged portion of our net exposure.

Impact of hedging on IFRS earnings

We do not use hedge accounting under IFRS and, therefore, we are required to report gains and losses on economic hedging activity, both for contracts that close in the period and those that remain outstanding at the end of the period. For the contracts that remain outstanding, we must treat them as though they were settled at the end of the reporting period (mark-to-market).

However, we do not believe the gains and losses that we are required to report under IFRS appropriately reflect the intent of our hedging activities, so we make adjustments in calculating our ANE to better reflect the benefits of our hedging program in the applicable reporting period.

Impact of hedging on ANE

We designate contracts for use in particular periods, based on our expected net exposure in that period. Hedge contracts are layered in over time based on this expected net exposure. The result is that our current hedge portfolio is made up of a number of contracts which are currently designated to net exposures we expect in 2018 and future years, and we will recognize the gains and losses in ANE in those periods.

For the purposes of ANE, gains and losses on derivatives are reported based on the difference between the effective hedge rate of the contracts designated for use in the particular period and the exchange rate at the time of settlement. This results in an adjustment to current period IFRS earnings to effectively remove reported gains and losses on derivatives that arise from contracts put in place for use in future periods. The effective hedge rate will lag the market in periods of rapid currency movement. See *Non-IFRS measures* on page 8.

For more information, see our 2017 annual MD&A.

At September 30, 2018:

- The value of the US dollar relative to the Canadian dollar was \$1.00 (US) for \$1.29 (Cdn), down from \$1.00 (US) for \$1.32 (Cdn) at June 30, 2018. The exchange rate averaged \$1.00 (US) for \$1.31 (Cdn) over the quarter.
- The mark-to-market position on all foreign exchange contracts was a \$4 million loss compared to a \$27 million loss at June 30, 2018.

For information on the impact of foreign exchange on our intercompany balances, see note 19 to the financial statements.

Outlook for 2018

Our outlook for 2018 reflects the expenditures necessary to help us achieve our strategy and is based on the assumptions found below the table, including a given uranium spot price, uranium term price, and foreign exchange rate. For more information on how changes in the exchange rate or uranium prices can impact our outlook see *Revenue, adjusted net earnings, and cash flow sensitivity analysis* on page 16, and *Foreign exchange* on page 14. Our 2018 financial outlook, and other disclosures relating to our contract portfolio, have been presented on a basis that excludes our contract with TEPCO, which is under dispute.

Our outlook for consolidated revenue; uranium purchase and delivery volumes, revenue, and average realized price; fuel services production; the expected loss on derivatives and tax recovery; and the expected contribution of our uranium and fuel services segments to gross profit has changed. We do not provide an outlook for the items in the table that are marked with a dash.

See 2018 Financial results by segment on page 20 for details.

2018 FINANCIAL OUTLOOK

	CONSOLIDATED	URANIUM	FUEL SERVICES
EXPECTED CONTRIBUTION TO GROSS PROFIT	100%	82%	18%
Production (owned and operated properties)	-	9.2 million lbs	10 to 11 million kgU
Purchases	-	11 to 12 million lbs ¹	-
Sales/delivery volume²	-	35 to 36 million lbs ³	11 to 12 million kgU
Revenue²	\$1,990-2,190 million	\$1,630-1,720 million ⁴	\$280-310 million
Average realized price³	-	\$47.80/lb ⁴	-
Average unit cost of sales (including D&A)	-	\$40.00-42.00/lb ⁵	\$21.60-22.60/kgU
Direct administration costs⁶	\$120-130 million	-	-
Exploration costs	-	\$20 million	-
Expected loss on derivatives - ANE basis⁴	\$10-20 million	-	-
Tax recovery - ANE basis⁷	\$80-90 million	-	-
Capital expenditures⁸	\$80 million	-	-

¹ Based on the volumes we currently have commitments to acquire under contract in 2018. This includes our JV Inkai purchases and the 2.9 million pounds of additional purchases we have secured since July. It does not include the 3 million to 4 million pounds of intersegment committed purchases we have, or the additional 1 million to 3 million pounds of uranium we expect we may still need to purchase to maintain our desired inventory level, taking into account the Orano loan.

² Our 2018 outlook for sales volume and revenue does not include sales between our segments.

³ Based on the volumes we currently have commitments to deliver under contract in 2018.

⁴ Based on a uranium spot price of \$27.35 (US) per pound (the Ux spot price as of September 24, 2018), a long-term price indicator of \$31.50 (US) per pound (the Ux long-term indicator on September 24, 2018) and an exchange rate of \$1.00 (US) for \$1.30 (Cdn).

⁵ Based on the expected unit cost of sales for produced material and committed long-term purchases including our JV Inkai purchases. If we make discretionary purchases in 2018, then we expect the overall unit cost of sales may be affected.

⁶ Direct administration costs do not include stock-based compensation expenses.

⁷ Our outlook for the tax recovery is based on adjusted net earnings and the other assumptions listed in the table. The outlook does not include our share of taxes on JV Inkai profits as the income from JV Inkai is net of taxes. If other assumptions change then the expected recovery may be affected.

⁸ Our share of JV Inkai capital spending for 2018 is not included as it is reflected on the basis of equity accounting for our minority ownership interest. JV Inkai cash flows are expected to cover capital expenditures in 2018.

Due to additional demand we have captured in the market, our 2018 committed delivery volumes have increased to between 35 million and 36 million pounds (previously 34 million to 35 million pounds), and our 2019 sales commitments have increased to between 27 million and 29 million pounds (previously 25 million to 27 million pounds).

In 2018, the average realized price for our uranium segment is now expected to be \$47.80 per pound (previously \$46.10 per pound) as a result of the increased spot price and weakening of the Canadian dollar. Our Canadian dollar average realized price for the first nine months of 2018 was \$45.08 per pound. To achieve the expected annual average realized price requires an average realized price greater than \$50 per pound in the fourth quarter.

As a result of the changes to 2018 delivery volumes and the expected average realized price, we now expect revenue in our uranium segment to be \$1,630 million to \$1,720 million (previously \$1,550 million to \$1,640 million), resulting in consolidated revenue of \$1,990 million to \$2,190 million (previously \$1,890 million to \$2,140 million).

We now have committed purchase volumes of 11 million to 12 million pounds (previously 8 million to 9 million pounds) for 2018. As a result of the extended shutdown of McArthur River/Key Lake, we secured an additional 2.9 million pounds of purchase commitments. Our purchase commitments for 2019 are unchanged at 5 million to 6 million pounds.

With increased delivery commitments in 2018 and 2019, in addition to our committed purchases and the material we have already secured in the spot market, we expect we may still need to purchase an additional 1 million to 3 million pounds in 2018, and between 10 million and 12 million pounds (previously 9 million to 11 million pounds) in 2019, to meet our delivery commitments and maintain our desired inventory.

Fuel services production is now expected to be 10 million to 11 million kgU (previously 9 million to 10 million kgU) as a result of an expected increase in UF₆ production given the increase in demand that we have been seeing in the market.

As a result of the changes to the uranium average realized price and sales volumes, we now expect the contribution to gross profit to be 82% from the uranium segment and 18% from the fuel services segment (previously 81% and 19% respectively).

Including severance costs of \$13 million, direct administration costs continue to be \$120 million to \$130 million as a result of further anticipated savings from the corporate office restructuring.

We now expect a loss on derivatives of \$10 million to \$20 million (previously \$0 million to \$10 million) due to the weakening of the Canadian dollar.

Our tax recovery on an adjusted net earnings basis is now expected to be \$80 million to \$90 million (previously \$40 million to \$50 million) primarily due to the reversal of the provision related to our CRA dispute, partially offset by changes in our outlook noted above.

We continue to expect cash from operations for 2018 to be between 20% and 30% higher than the \$596 million reported in 2017. This estimate is based on the outlook provided in the table and the assumptions for uranium prices and foreign exchange rates used in and listed below the table. In addition to our purchase commitments of between 11 million and 12 million pounds, the estimate also includes expected purchases of 1 million to 3 million pounds.

In our uranium and fuel services segments, our customers choose when in the year to receive deliveries, so our quarterly delivery patterns, sales/delivery volumes and revenue can vary significantly. We are on track for our uranium sales/delivery targets in 2018 and, therefore expect to deliver between 12.5 million and 13.5 million pounds in the fourth quarter.

REVENUE, ADJUSTED NET EARNINGS, AND CASH FLOW SENSITIVITY ANALYSIS

FOR 2018 (\$ MILLIONS)	CHANGE	IMPACT ON:		
		REVENUE	ANE	CASH FLOW
Uranium spot and term price ¹	\$5(US)/lb increase	15	11	15
	\$5(US)/lb decrease	(6)	(4)	(6)
Value of Canadian dollar vs US dollar	One cent decrease in CAD	6	2	1
	One cent increase in CAD	(6)	(2)	(1)

¹ Assuming change in both UxC spot price (\$27.35 (US) per pound on September 24, 2018) and the UxC long-term price indicator (\$31.50 (US) per pound on September 24, 2018)

PRICE SENSITIVITY ANALYSIS: URANIUM SEGMENT

The following table is not a forecast of prices we expect to receive. The prices we actually realize will be different from the prices shown in the table. It is designed to indicate how the portfolio of long-term contracts we had in place on September 30, 2018 would respond to different spot prices. In other words, we would realize these prices only if the contract portfolio remained the same as it was on September 30, 2018 and none of the assumptions we list below change.

We intend to update this table each quarter in our MD&A to reflect changes to our contract portfolio. As a result, we expect the table to change from quarter to quarter.

Expected realized uranium price sensitivity under various spot price assumptions

(rounded to the nearest \$1.00)

SPOT PRICES (\$US/lb U ₃ O ₈)	\$20	\$40	\$60	\$80	\$100	\$120	\$140
2019	32	42	54	64	73	81	87
2020	30	41	55	65	74	82	88
2021	27	41	55	66	74	82	88
2022	28	41	55	66	74	81	87

The table illustrates the mix of long-term contracts in our September 30, 2018 portfolio, and is consistent with our marketing strategy. It has been updated to reflect contracts entered into up to September 30, 2018, and it excludes our contract under dispute with TEPCO.

Our portfolio includes a mix of fixed-price and market-related contracts, which we target at a 40:60 ratio. Those that are fixed at higher prices or have high floor prices will yield prices that are higher than current market prices.

Our portfolio is affected by more than just the spot price. We made the following assumptions (which are not forecasts) to create the table:

Sales

- sales volumes on average of 24 million pounds per year, with commitment levels of between 35 million and 36 million pounds in 2018 and 27 million to 29 million pounds in 2019. Commitments for 2020 through 2022 are lower.
- excludes sales between our segments
- excludes the contract under dispute with TEPCO

Deliveries

- deliveries include best estimates of requirements contracts and contracts with volume flex provisions

Annual inflation

- is 2% in the US

Prices

- the average long-term price indicator is the same as the average spot price for the entire year (a simplified approach for this purpose only). Since 1996, the long-term price indicator has averaged 21% higher than the spot price. This differential has varied significantly. Assuming the long-term price is at a premium to spot, the prices in the table will be higher.

Liquidity and capital resources

Our financial objective is to ensure we have the cash and debt capacity to fund our operating activities, investments and other financial obligations. As of September 30, 2018, we had cash and short-term investments of \$1.1 billion, while our total debt amounted to \$1.5 billion.

We have large, creditworthy customers that continue to need uranium even during weak economic conditions, and we expect the uranium contract portfolio we have built to continue to provide a solid revenue stream. From 2018 through 2022, we have commitments to deliver an average of 24 million pounds per year, with commitments levels in 2018 of 35 million to 36 million pounds and 27 million to 29 million pounds in 2019. Commitments for 2020 through 2022 are lower.

In the currently weak uranium price environment, our focus is on preserving the value of our tier-one assets and reducing our operating, capital and general and administrative spending. We have a number of alternatives to fund future capital requirements, including using our operating cash flow, drawing on our existing credit facilities, entering new credit facilities, and raising additional capital through debt or equity financings. We are always considering our financing options so we can take advantage of favourable market conditions when they arise. Due to the deliberate cost reduction measures implemented over the past five years, the reduction in our 2018 dividend, and the drawdown of inventory in 2018 as a result of the suspension of production at our McArthur River/Key Lake operation, we expect to generate significant cash flow in 2018. Therefore, we expect our cash balances and operating cash flows to meet our capital requirements during 2018, and help position us to self-manage risk.

We received a favorable ruling in our case with CRA for the 2003, 2005 and 2006 tax years. We expect the ruling to be upheld on appeal, and we believe the ruling should apply in principle to subsequent tax years. However, until such time as all appeals are exhausted, and a resolution is reached for all tax years in question, in accordance with Canadian income tax rules we may be required to remit or otherwise secure 50% of any cash taxes plus related interest and penalties CRA may continue to reassess. See page 11 for more information. In the above scenario, the table on page 13 provides the amount and timing of the cash taxes and transfer pricing penalties paid or secured to date. In addition, it provides an estimate of the timing and amounts we would potentially have to pay or secure upfront if CRA continues to reassess us using the same methodology it reassessed the 2003 to 2012 tax years with, even though we believe there is no basis for them to do so.

CASH FROM/USED IN OPERATIONS

Cash provided by operations was \$124 million higher this quarter than in the third quarter of 2017 mainly due to a decrease in working capital requirements, which provided \$130 million more in 2018 than in 2017. Not including working capital requirements, our operating cash flows this quarter were lower by \$6 million.

Cash provided by operations was \$334 million higher in the first nine months of 2018 than for the same period in 2017 due largely to a decrease in working capital requirements. This was a result of a larger decrease in inventory compared to in 2017 as well as changes in other working capital items. Working capital required \$302 million less in 2018. In addition, while we had lower gross profits in our operating segments, income taxes paid decreased and cost reduction measures resulted in a lower use of cash. Not including working capital requirements, our operating cash flows in the first nine months were higher by \$32 million.

FINANCING ACTIVITIES

We use debt to provide additional liquidity. We have sufficient borrowing capacity with unsecured lines of credit totalling about \$3.0 billion at September 30, 2018, unchanged from June 30, 2018. At September 30, 2018, we had approximately \$1.6 billion outstanding in financial assurances, up from \$1.5 billion at December 31, 2017. At September 30, 2018, we had no short-term debt outstanding on our \$1.25 billion unsecured revolving credit facility, unchanged from December 31, 2017. During the quarter, we extended the maturity date of the facility from November 1, 2021 to November 1, 2022.

Long-term contractual obligations

Since December 31, 2017, there have been no material changes to our long-term contractual obligations. Please see our 2017 annual MD&A for more information.

Debt covenants

We are bound by certain covenants in our unsecured revolving credit facility. The financially related covenants place restrictions on total debt, including guarantees. As at September 30, 2018, we met these financial covenants and do not expect our operating and investment activities for the remainder of 2018 to be constrained by them.

OFF-BALANCE SHEET ARRANGEMENTS

We had three kinds of off-balance sheet arrangements at September 30, 2018:

- purchase commitments
- financial assurances
- other arrangements

Purchase commitments

The following table is based on our purchase commitments in our uranium and fuel services segments, as well as commitments previously contracted by NUKEM, at September 30, 2018. These commitments include a mix of fixed-price and market-related contracts. Actual payments will be different as a result of changes to our purchase commitments and, in the case of contracts with market-related pricing, the market prices in effect at the time of delivery. We will update this table as required in our MD&A to reflect material changes to our purchase commitments and changes in the prices used to estimate our commitments under market-related contracts.

SEPTEMBER 30 (\$ MILLIONS)	2018	2019 AND 2020	2021 AND 2022	2023 AND BEYOND	TOTAL
Purchase commitments ^{1,2}	269	337	173	286	1,065

¹ Denominated in US dollars and Japanese yen, as of September 30, 2018 converted from US dollars to Canadian dollars at the rate of \$1.29 and from Japanese yen to Canadian dollars at the rate of \$0.01.

² These amounts have been adjusted for any additional purchase commitments that we have entered into since September 30, 2018, but does not include deliveries taken under contract since September 30, 2018.

As of September 30, 2018, we had commitments of about \$1.1 billion for the following:

- approximately 25 million pounds of U₃O₈ equivalent from 2018 to 2028
- approximately 1 million kgU as UF₆ in conversion services in 2018 and 2019
- about 0.2 million Separative Work Units (SWU) of enrichment services to meet existing forward sales commitments under agreements with a non-Western supplier

The suppliers do not have the right to terminate agreements other than pursuant to customary events of default provisions. For more information on our purchasing activity, see *Strategy in action* starting on page 4.

Financial assurances

At September 30, 2018, our financial assurances totalled \$1.6 billion, up from \$1.5 billion at December 31, 2017.

Other arrangements

We continue to have factoring arrangements available to us to manage short-term cash flow fluctuations. At September 30, 2018 we did not have any balances outstanding under these arrangements. You can read more about these arrangements in our 2017 annual MD&A.

BALANCE SHEET

(\$ MILLIONS)	SEP 30, 2018	DEC 31, 2017	CHANGE
Cash, cash equivalents and short-term investments	1,095	592	85%
Total debt	1,495	1,494	-
Inventory	545	950	(43)%

Total cash, cash equivalents and short-term investments at September 30, 2018 were \$1.1 billion, or 85% higher than at December 31, 2017, primarily due to cash from operations of \$610 million, partially offset by capital expenditures of \$45 million, 2017 dividend payments of \$40 million, and interest payments of \$49 million. Net debt at September 30, 2018 was \$400 million.

Under the restructuring agreement for JV Inkai, the partners have agreed that JV Inkai will distribute excess cash, after capital expenditures, as priority repayment of our loan. We have an outstanding loan for Inkai's work on block 3 prior to the restructuring. In the third quarter of 2018 we received distributions of \$10 million (US), totaling \$23 million (US) year-to-date, which were made as loan and interest repayments. As of September 30, 2018, the outstanding principal balance of the loan was \$97 million (US).

Total product inventories decreased to \$545 million. Inventories decreased as sales were higher than production and purchases in the first nine months of the year. In addition, the product provided to Orano contributed to the decrease. The average cost for uranium has increased to \$31.81 per pound compared to \$30.72 per pound at December 31, 2017. As of September 30, 2018, we held an inventory of 9.5 million pounds of U₃O₈ equivalent in our uranium segment (excluding broken ore).

Financial results by segment

Uranium

HIGHLIGHTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30			
	2018	2017	CHANGE	2018	2017	CHANGE	
Production volume (million lbs)	1.5	3.1	(52)%	6.8	16.9	(60)%	
Sales volume (million lbs)	10.6	9.2	15%	22.5	21.0	7%	
Average spot price (\$US/lb)	26.53	20.22	31%	23.36	21.60	8%	
Average long-term price (\$US/lb)	31.50	31.33	1%	30.00	32.33	(7)%	
Average realized price (\$US/lb)	30.18	32.42	(7)%	35.05	34.15	3%	
	(\$Cdn/lb)	39.49	41.66	(5)%	45.08	44.86	-
Average unit cost of sales (including D&A) (\$Cdn/lb)	40.36	36.12	12%	41.14	36.32	13%	
Revenue (\$ millions)	418	385	9%	1,014	943	8%	
Gross profit (loss) (\$ millions)	(9)	51	(118)%	89	179	(50)%	
Gross profit (loss) (%)	(2)	13	(115)%	9	19	(53)%	

THIRD QUARTER

Production volumes this quarter were 52% lower compared to the third quarter of 2017, mainly due to a lack of production from the suspended McArthur River/Key Lake operations and a change in reporting for JV Inkai. See *Uranium 2018 Q3 updates* starting on page 23 for more information.

Uranium revenues this quarter were up 9% compared to 2017 due to an increase in sales volumes of 15% partially offset by a decrease of 5% in the Canadian dollar average realized price. While the average spot price for uranium increased by 31% compared to the same period in 2017, our average realized price decreased due to the mix of market-related and fixed price contracts.

Total cost of sales (including D&A) increased by 28% (\$427 million compared to \$334 million in 2017) as a result of unit cost of sales that was 12% higher than the same period last year and a 15% increase in sales volume. The increase in the unit cost of sales was due mainly to increased costs associated with the temporary suspension of production at our McArthur River/Key Lake operation. The cost of our purchases have decreased from the third quarter in 2017.

The net effect was a \$60 million decrease in gross profit for the quarter.

Equity earnings from investee, JV Inkai, were \$2 million in the third quarter.

FIRST NINE MONTHS

Production volumes for the first nine months of the year were 60% lower than in the previous year mainly due to planned lower production from McArthur River/Key Lake as the operation moved into care and maintenance in the first quarter and a change in reporting for JV Inkai. See *Uranium 2018 Q3 updates* starting on page 23 for more information.

Uranium revenues increased 8% compared to the first nine months of 2017 due to a 7% increase in sales volumes.

Total cost of sales (including D&A) increased by 21% (\$926 million compared to \$764 million in 2017) mainly due to a 13% increase in the unit cost of sales and a 7% increase in sales volume for the first nine months. The increase in the unit cost of sales compared to last year was mainly due to increased costs associated with the suspension of production at our McArthur River/Key Lake and US ISR operations. The cost of our purchases have decreased from the same period in 2017.

The net effect was a \$90 million decrease in gross profit for the first nine months.

Equity earnings from investee, JV Inkai, were \$6 million for the first nine months.

The table below shows the costs of produced and purchased uranium incurred in the reporting periods (which are non-IFRS measures, see the paragraphs below the table). These costs do not include care and maintenance costs, selling costs such as royalties, transportation and commissions, nor do they reflect the impact of opening inventories on our reported cost of sales.

(\$CDN/LB)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2018	2017	CHANGE	2018	2017	CHANGE
Produced						
Cash cost	19.96	24.40	(18)%	15.45	15.90	(3)%
Non-cash cost	14.99	16.33	(8)%	16.20	11.53	41%
Total production cost ¹	34.95	40.73	(14)%	31.65	27.43	15%
Quantity produced (million lbs) ¹	1.5	3.1	(52)%	6.8	16.9	(60)%
Purchased						
Cash cost ¹	35.10	36.83	(5)%	33.74	39.75	(15)%
Quantity purchased (million lbs) ¹	2.9	0.5	480%	6.8	3.0	127%
Totals						
Produced and purchased costs	35.05	40.19	(13)%	32.70	29.29	12%
Quantities produced and purchased (million lbs)	4.4	3.6	22%	13.6	19.9	(32)%

¹ Our share of Inkai production was 0.6 million pounds for Q3, 2018 (1.9 million pounds for the first nine months of 2018). Due to the transition to equity accounting, our share of production will be shown as a purchase at the time of delivery. JV Inkai purchases will fluctuate during the quarters and timing of purchases will not match production. In the third quarter we purchased 0.5 million pounds at a purchase price per pound of \$28.55 (\$21.75 (US)) (1.4 million pounds in the first nine months of 2018 at \$27.90 (\$21.57 (US))).

The change to equity accounting for our interest in JV Inkai removes the impact of our share of Inkai's low cash cost of production from the mix. Those pounds now are reflected as a purchase at a discount to the spot price in this table. The benefit of the estimated \$9.55 per pound life-of-mine operating cost is expected to be reflected in the line item on our statement of earnings called "share of earnings from equity-accounted investee".

The average cash cost of production was 18% lower for the quarter compared to 2017. While McArthur River and Key Lake are shut down, our cash cost of production is expected to be reflective of the estimated \$15.42 per pound life-of-mine operating cost of mining and milling our share of Cigar Lake pounds. Cash cost in the quarter was impacted by the planned shutdown at Cigar Lake for maintenance and vacation. For the first nine months, the average cash cost of production was 3% lower than in 2017 due to McArthur River/Key Lake and our US ISR operations moving into care and maintenance.

Although purchased pounds are transacted in US dollars, we account for the purchases in Canadian dollars. In the third quarter, the average cash cost of purchased material was \$35.10 (Cdn) per pound, or \$26.81 (US) per pound in US dollar terms, compared to \$29.20 (US) per pound in the third quarter of 2017. For the first nine months, the average cash cost of purchased material was \$33.74 (Cdn), or \$26.17 (US) per pound, compared to \$30.19 (US) per pound in the same period in 2017. As a result, the average cash cost of purchased material in Canadian dollar terms decreased by 5% this quarter and by 15% for the nine months compared to the same periods last year.

Cash cost per pound, non-cash cost per pound and total cost per pound for produced and purchased uranium presented in the above table are non-IFRS measures. These measures do not have a standardized meaning or a consistent basis of calculation under IFRS. We use these measures in our assessment of the performance of our uranium business. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance and ability to generate cash flow.

These measures are non-standard supplemental information and should not be considered in isolation or as a substitute for measures of performance prepared according to accounting standards. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently, so you may not be able to make a direct comparison to similar measures presented by other companies.

To facilitate a better understanding of these measures, the following table presents a reconciliation of these measures to our unit cost of sales for the third quarter and the first nine months of 2018 and 2017.

Cash and total cost per pound reconciliation

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	2018	2017
Cost of product sold	341.6	250.5	729.7	591.4
Add / (subtract)				
Royalties	(14.7)	(23.0)	(36.5)	(46.2)
Care and maintenance costs	(53.2)	(8.0)	(129.7)	(28.9)
Other selling costs	(3.1)	(2.8)	(8.6)	(5.7)
Change in inventories	(138.9)	(122.6)	(220.4)	(122.6)
Cash operating costs (a)	131.7	94.1	334.5	388.0
Add / (subtract)				
Depreciation and amortization	73.8	83.2	165.3	172.2
Care and maintenance costs	11.8	-	30.8	-
Change in inventories	(63.1)	(32.6)	(85.9)	22.6
Total operating costs (b)	154.2	144.7	444.7	582.8
Uranium produced & purchased (million lbs) (c)	4.4	3.6	13.6	19.9
Cash costs per pound (a ÷ c)	29.93	26.14	24.60	19.50
Total costs per pound (b ÷ c)	35.05	40.19	32.70	29.29

Fuel services

(includes results for UF₆, UO₂ and fuel fabrication)

HIGHLIGHTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2018	2017	CHANGE	2018	2017	CHANGE
Production volume (million kgU)	0.8	0.6	33%	7.0	5.4	30%
Sales volume (million kgU)	2.1	2.5	(16)%	6.6	6.9	(4)%
Average realized price (\$Cdn/kgU)	29.20	27.27	7%	29.25	29.94	(2)%
Average unit cost of sales (including D&A) (\$Cdn/kgU)	27.12	25.84	5%	24.11	23.83	1%
Revenue (\$ millions)	61	69	(12)%	194	206	(6)%
Gross profit (\$ millions)	4	4	-	34	42	(19)%
Gross profit (%)	7	6	17%	18	20	(10)%

THIRD QUARTER

Total revenue for the third quarter of 2018 decreased to \$61 million from \$69 million for the same period last year. This was primarily due to a 16% decrease in sales volumes partially offset by a 7% increase in average realized price compared to 2017. Average realized price increased mainly due to the mix of product sold, as well as an increase in the average realized price for UF₆ and UO₂.

The total cost of products and services sold (including D&A) decreased 14% (\$56 million compared to \$65 million in 2017) due to the 16% decrease in sales volume, partially offset by a 5% increase in the average unit cost of sales due to higher costs for UF₆.

Gross profit remained unchanged at \$4 million.

FIRST NINE MONTHS

In the first nine months of the year, total revenue decreased by 6% due to a 4% decrease in sales volumes and a 2% decrease in realized price. The decrease in realized price was the result of decreased prices on the sale of UF₆.

The total cost of products and services sold (including D&A) decreased 2% (\$160 million compared to \$164 million in 2017) due to the 4% decrease in sales volume, partially offset by a 1% increase in the average unit cost of sales due to higher costs for UF₆.

The net effect was an \$8 million decrease in gross profit.

Our operations

Uranium – production overview

Production in our uranium segment this quarter was 52% lower than the third quarter of 2017 due to the production suspension at McArthur River and Key Lake and a change in reporting for JV Inkai. See table below for more information. We continue to evaluate the optimal mix of production, inventory and purchases in order to retain the flexibility to deliver long-term value.

URANIUM PRODUCTION

OUR SHARE (MILLION LBS)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30			2018 PLAN
	2018	2017	CHANGE	2018	2017	CHANGE	
McArthur River/Key Lake	-	0.6	(100)%	0.1	7.8	(99)%	0.1
Cigar Lake	1.5	1.7	(12)%	6.6	6.5	2%	9.0
Inkai ¹	-	0.8	(100)%	-	2.3	(100)%	-
US ISR	-	-	-	0.1	0.3	(67)%	0.1
Total	1.5	3.1	(52)%	6.8	16.9	(60)%	9.2

¹ We expect total production from Inkai to be 6.9 million pounds in 2018 on a 100% basis. Due to the transition to equity accounting, our share of production will be shown as a purchase. Please see below for more information.

Uranium 2018 Q3 updates

PRODUCTION UPDATE

McArthur River/Key Lake

There was no production in the third quarter as a result of the planned production suspension that began in February and continues for an indeterminate duration, as announced on July 25, 2018, due to continued weakness in the uranium market.

The production suspension resulted in the permanent layoff of approximately 520 employees, including those currently on temporary layoff. A reduced workforce of approximately 200 employees remains at the operations to keep the facilities in a state of safe care and maintenance.

We incurred approximately \$27 million in severance costs in the third quarter as a result of the permanent layoffs. Our share of the cash and non-cash costs to maintain both operations during the suspension is expected to range between \$7 million and \$9 million per month (previously between \$5 million and \$6 million because non-cash costs were not included) once the permanent layoffs take effect.

Cigar Lake

Total packaged production from Cigar Lake was 12% lower in the third quarter and 2% higher for the first nine months compared to the same periods last year. Packaged production was lower in the third quarter due primarily to the planned summer shutdown for maintenance and vacation. The shutdown went as planned with the mine and mill returning to full production at the end of August. Production remains on track to meet forecast for the year.

Inkai

Production on a 100% basis was 1.5 million pounds for the quarter and 4.8 million pounds for the first nine months of the year. Production is tracking higher than the comparable period in 2017 due to increased planned production in 2018 above 2017 production levels. Due to the transition to equity accounting, our share of production will be shown as a purchase at a discount to the spot price and included in inventory at this value at the time of delivery. Our share of the profits earned by JV Inkai on the sale of its production will be included in "share of earnings from equity-accounted investee" on our consolidated statement of earnings.

TIER-TWO CURTAILED OPERATIONS

US ISR Operations

As a result of the decision to curtail production and defer all wellfield development at our US operations, there was no production in the third quarter. We have now effectively ceased production, which is expected to result in production of about 100,000 pounds for the year. As long as production is suspended, we expect ongoing cash and non-cash care and maintenance costs to range between \$11 million (US) and \$13 million (US) annually for the first few years (previously \$18 million (US) and \$22 million (US) which reflected care and maintenance costs prior to full cessation of production).

On September 30, the Nuclear Regulatory Commission approved a 10-year renewal of the operating licence for Smith Ranch-Highland. The licence is valid until September 30, 2028.

Rabbit Lake

The Rabbit Lake operation is in a safe state of care and maintenance; there was no production in the third quarter of 2018. While in standby, we continue to evaluate our options at Rabbit Lake in order to minimize care and maintenance costs. We now expect ongoing care and maintenance costs to range between \$30 million and \$35 million annually (previously \$35 million to \$40 million) due to actions being taken to minimize costs.

Fuel services 2018 Q3 updates

PORT HOPE CONVERSION SERVICES

CAMECO FUEL MANUFACTURING INC. (CFM)

Production update

Fuel services produced 0.8 million kgU in the third quarter, 33% higher than the same period last year due to the timing of scheduled production.

Qualified persons

The technical and scientific information discussed in this document for our material properties (McArthur River/Key Lake, Inkai and Cigar Lake) was approved by the following individuals who are qualified persons for the purposes of NI 43-101:

MCARTHUR RIVER/KEY LAKE

- Greg Murdock, manager, operations, McArthur River, Cameco

INKAI

- Dr. Darryl Clark, consultant geologist

CIGAR LAKE

- Jeremy Breker, general manager, Rabbit Lake/Cigar Lake, Cameco

Additional information

Critical accounting estimates

Due to the nature of our business, we are required to make estimates that affect the amount of assets and liabilities, revenues and expenses, commitments and contingencies we report. We base our estimates on our experience, our best judgment, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and on assumptions we believe are reasonable.

Controls and procedures

As of September 30, 2018, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer (CEO) and chief financial officer (CFO), of the effectiveness of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation and as of September 30, 2018, the CEO and CFO concluded that:

- the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under applicable securities laws is recorded, processed, summarized and reported as and when required
- such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



Cameco Corporation
2018 condensed consolidated interim financial statements
(unaudited)

November 1, 2018

Cameco Corporation

Consolidated statements of earnings

(Unaudited) (\$Cdn thousands, except per share amounts)	Note	Three months ended		Nine months ended	
		Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Revenue from products and services	12	\$ 487,644	\$ 485,594	\$ 1,260,327	\$ 1,347,880
Cost of products and services sold		393,511	337,941	940,666	931,090
Depreciation and amortization		99,888	96,626	231,067	217,527
Cost of sales	20	493,399	434,567	1,171,733	1,148,617
Gross profit (loss)		(5,755)	51,027	88,594	199,263
Administration		39,444	40,132	105,806	124,562
Impairment charges	4	-	111,399	-	111,399
Exploration		4,834	8,080	17,380	24,478
Research and development		187	943	(852)	5,310
Other operating expense (income)	10	4,548	(9,338)	49,487	(15,178)
Loss (gain) on disposal of assets		(142)	1,207	525	5,780
Loss from operations		(54,626)	(101,396)	(83,752)	(57,088)
Finance costs	13	(28,038)	(27,217)	(83,176)	(82,964)
Gain (loss) on derivatives	19	22,395	21,727	(30,283)	55,807
Finance income		5,751	1,341	14,760	3,516
Share of earnings from equity-accounted investee	8	1,577	-	6,067	-
Other income (expense)	14	(6,084)	(20,848)	76,682	(32,020)
Loss before income taxes		(59,025)	(126,393)	(99,702)	(112,749)
Income tax expense (recovery)	15	(87,132)	(2,636)	(106,098)	30,740
Net earnings (loss)		28,107	(123,757)	6,396	(143,489)
Net earnings (loss) attributable to:					
Equity holders		\$ 28,124	\$ (123,712)	\$ 6,451	\$ (143,316)
Non-controlling interest		(17)	(45)	(55)	(173)
Net earnings (loss)		\$ 28,107	\$ (123,757)	\$ 6,396	\$ (143,489)
Earnings (loss) per common share attributable to equity holders:					
Basic	16	\$ 0.07	\$ (0.31)	\$ 0.02	\$ (0.36)
Diluted	16	\$ 0.07	\$ (0.31)	\$ 0.02	\$ (0.36)

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation

Consolidated statements of comprehensive income

(Unaudited) (\$Cdn thousands)	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Net earnings (loss)	\$ 28,107	\$ (123,757)	\$ 6,396	\$ (143,489)
Other comprehensive loss, net of taxes	15			
Items that will not be reclassified to net earnings:				
Equity investments at FVOCI - net change in fair value ¹	(1,763)	-	(6,977)	(1,102)
Items that are or may be reclassified to net earnings:				
Exchange differences on translation of foreign operations	(32,385)	(38,396)	(26,765)	(52,963)
Reclassification of foreign currency translation reserve to net earnings	14	-	(5,450)	-
Other comprehensive loss, net of taxes	(34,148)	(38,396)	(39,192)	(54,065)
Total comprehensive loss	\$ (6,041)	\$ (162,153)	\$ (32,796)	\$ (197,554)
Other comprehensive income (loss) attributable to:				
Equity holders	\$ (34,141)	\$ (38,396)	\$ (39,202)	\$ (54,063)
Non-controlling interest	(7)	-	10	(2)
Other comprehensive loss	\$ (34,148)	\$ (38,396)	\$ (39,192)	\$ (54,065)
Total comprehensive loss attributable to:				
Equity holders	\$ (6,017)	\$ (162,108)	\$ (32,751)	\$ (197,379)
Non-controlling interest	(24)	(45)	(45)	(175)
Total comprehensive loss	\$ (6,041)	\$ (162,153)	\$ (32,796)	\$ (197,554)

¹ Net of tax (Q3 2018 - \$290; Q3 2017 - \$nil; 2018 - \$1,032; 2017 - \$399)

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation

Consolidated statements of financial position

(Unaudited) (\$Cdn thousands)	Note	As at	
		Sep 30/18	Dec 31/17
Assets			
Current assets			
Cash and cash equivalents		\$ 609,182	\$ 591,620
Short-term investments	5	485,589	-
Accounts receivable		271,933	396,824
Current tax assets		6,911	11,408
Inventories	6	544,795	949,766
Supplies and prepaid expenses		104,503	149,872
Current portion of long-term receivables, investments and other	7	25,010	36,089
Total current assets		2,047,923	2,135,579
Property, plant and equipment		3,880,674	4,191,892
Intangible assets		66,234	70,012
Long-term receivables, investments and other	7	707,086	520,073
Investment in equity-accounted investee	8	204,416	-
Deferred tax assets		980,200	861,171
Total non-current assets		5,838,610	5,643,148
Total assets		\$ 7,886,533	\$ 7,778,727
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		320,027	258,405
Current tax liabilities		10,440	20,133
Dividends payable		-	39,579
Current portion of long-term debt		499,448	-
Current portion of other liabilities	9	73,600	54,370
Current portion of provisions	10	53,910	38,507
Total current liabilities		957,425	410,994
Long-term debt		995,912	1,494,471
Other liabilities	9	147,403	126,103
Provisions	10	948,603	875,033
Deferred tax liabilities		2,858	12,467
Total non-current liabilities		2,094,776	2,508,074
Shareholders' equity			
Share capital	11	1,862,652	1,862,652
Contributed surplus		232,262	224,812
Retained earnings		2,656,887	2,650,417
Other components of equity		82,205	121,407
Total shareholders' equity attributable to equity holders		4,834,006	4,859,288
Non-controlling interest		326	371
Total shareholders' equity		4,834,332	4,859,659
Total liabilities and shareholders' equity		\$ 7,886,533	\$ 7,778,727

Commitments and contingencies [notes 10, 15]

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation

Consolidated statements of changes in equity

(Unaudited) (\$Cdn thousands)	Attributable to equity holders						Non- controlling interest	Total equity
	Share capital	Contributed surplus	Retained earnings	Foreign currency translation	Equity investments at FVOCI	Total		
Balance at January 1, 2018	\$ 1,862,652	\$ 224,812	\$ 2,650,417	\$ 112,341	\$ 9,066	\$ 4,859,288	\$ 371	\$ 4,859,659
Net earnings (loss)	-	-	6,451	-	-	6,451	(55)	6,396
Other comprehensive income (loss) for the period	-	-	-	(32,225)	(6,977)	(39,202)	10	(39,192)
Total comprehensive income (loss) for the period	-	-	6,451	(32,225)	(6,977)	(32,751)	(45)	(32,796)
Share-based compensation	-	12,256	-	-	-	12,256	-	12,256
Restricted and performance share units released	-	(4,806)	-	-	-	(4,806)	-	(4,806)
Dividends	-	-	19	-	-	19	-	19
Balance at September 30, 2018	\$ 1,862,652	\$ 232,262	\$ 2,656,887	\$ 80,116	\$ 2,089	\$ 4,834,006	\$ 326	\$ 4,834,332
Balance at January 1, 2017	\$ 1,862,646	\$ 216,213	\$ 3,019,872	\$ 156,411	\$ 3,229	\$ 5,258,371	\$ 157	\$ 5,258,528
Net loss	-	-	(143,316)	-	-	(143,316)	(173)	(143,489)
Total comprehensive loss	-	-	-	(52,961)	(1,102)	(54,063)	(2)	(54,065)
Total comprehensive loss for the period	-	-	(143,316)	(52,961)	(1,102)	(197,379)	(175)	(197,554)
Share-based compensation	-	11,213	-	-	-	11,213	-	11,213
Stock options exercised	6	(1)	-	-	-	5	-	5
Restricted and performance share units released	-	(5,360)	-	-	-	(5,360)	-	(5,360)
Dividends	-	-	(118,718)	-	-	(118,718)	-	(118,718)
Balance at September 30, 2017	\$ 1,862,652	\$ 222,065	\$ 2,757,838	\$ 103,450	\$ 2,127	\$ 4,948,132	\$ (18)	\$ 4,948,114

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation

Consolidated statements of cash flows

(Unaudited) (\$Cdn thousands)	Note	Three months ended		Nine months ended	
		Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Operating activities					
Net earnings (loss)		\$ 28,107	\$ (123,757)	\$ 6,396	\$ (143,489)
Adjustments for:					
Depreciation and amortization		99,888	96,626	231,067	217,527
Deferred charges		(613)	1,376	9,016	868
Unrealized loss (gain) on derivatives		(23,876)	(22,840)	38,389	(60,683)
Share-based compensation	18	2,866	2,924	12,256	11,213
Loss (gain) on disposal of assets		(142)	1,207	525	5,780
Finance costs	13	28,038	27,217	83,176	82,964
Finance income		(5,751)	(1,341)	(14,760)	(3,516)
Share of earnings in equity-accounted investee		(1,577)	-	(6,067)	-
Impairment charges	4	-	111,399	-	111,399
Other operating expense (income)	10	4,548	(9,338)	49,487	(15,178)
Other expense (income)	14	6,187	20,849	(68,686)	32,008
Income tax expense (recovery)	15	(87,132)	(2,636)	(106,098)	30,740
Interest received		4,687	2,081	12,096	10,293
Income taxes paid		(619)	(42,667)	(19,415)	(84,925)
Other operating items	17	223,363	92,691	382,725	81,062
Net cash provided by operations		277,974	153,791	610,107	276,063
Investing activities					
Additions to property, plant and equipment		(15,357)	(35,346)	(45,347)	(88,665)
Increase in short-term investments		(152,426)	-	(485,589)	-
Decrease in long-term receivables, investments and other		12,403	4,937	25,827	13,406
Proceeds from sale of property, plant and equipment		152	254	586	970
Net cash used in investing		(155,228)	(30,155)	(504,523)	(74,289)
Financing activities					
Interest paid		(14,175)	(14,254)	(48,870)	(48,949)
Proceeds from issuance of shares, stock option plan		-	-	-	4
Dividends paid		-	(39,580)	(39,561)	(118,718)
Net cash used in financing		(14,175)	(53,834)	(88,431)	(167,663)
Increase in cash and cash equivalents, during the period		108,571	69,802	17,153	34,111
Exchange rate changes on foreign currency cash balances		(3,522)	(651)	409	(2,545)
Cash and cash equivalents, beginning of period		504,133	282,693	591,620	320,278
Cash and cash equivalents, end of period		\$ 609,182	\$ 351,844	\$ 609,182	\$ 351,844
Cash and cash equivalents is comprised of:					
Cash				260,745	60,292
Cash equivalents				348,437	291,552
Cash and cash equivalents				\$ 609,182	\$ 351,844

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation

Notes to condensed consolidated interim financial statements

(Unaudited)

(Cdn\$ thousands, except per share amounts and as noted)

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. The address of its registered office is 2121 11th Street West, Saskatoon, Saskatchewan, S7M 1J3. The condensed consolidated interim financial statements as at and for the period ended September 30, 2018 comprise Cameco Corporation and its subsidiaries (collectively, the Company or Cameco) and the Company's interests in associates and joint arrangements. The Company is primarily engaged in the exploration for and the development, mining, refining, conversion, fabrication and trading of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries.

2. Significant accounting policies

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Cameco's annual consolidated financial statements as at and for the year ended December 31, 2017.

These condensed consolidated interim financial statements were authorized for issuance by the Company's board of directors on November 1, 2018.

B. Basis of presentation

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise noted. Amounts presented in tabular format have been rounded to the nearest thousand except per share amounts and where otherwise noted.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items which are measured on an alternative basis at each reporting date:

Derivative financial instruments	Fair value through profit or loss (FVTPL)
Equity investments	Fair value through other comprehensive income (FVOCI)
Liabilities for cash-settled share-based payment arrangements	Fair value through profit or loss (FVTPL)
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation

The preparation of the condensed consolidated interim financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2017.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 of the December 31, 2017 consolidated financial statements.

3. Accounting standards

A. Changes in accounting policy

On January 1, 2018, Cameco adopted the new standards, IFRS 15 and IFRS 9, as issued by the IASB.

i. Revenue

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. Cameco adopted IFRS 15 using the cumulative effect method without practical expedients which does not require comparative financial statements to be restated. As the adoption of the new standard did not have a material impact on our existing revenue recognition practices, there was no cumulative effect on net earnings at January 1, 2018 that would have required restatement. The new standard did result in additional disclosures. (See note 12)

ii. Financial instruments

IFRS 9 includes revised guidance on the classification and measurement of financial assets. While it largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, it eliminates the previous categories for financial assets of held to maturity, loans and receivables and available for sale. Upon adoption, we reclassified financial assets from loans and receivable to amortized cost and equity securities from available for sale to FVOCI. In addition, accounts receivable that may be subject to factoring arrangements are now classified as either FVOCI or FVTPL depending on the terms of the arrangement. There was no impact on the measurement of any of these instruments. (See note 19)

The new standard also includes a new expected credit loss model for calculating impairment on financial assets. Due to risk management practices that the Company has in place, this change did not have a material impact on the consolidated financial statements.

IFRS 9 also introduces new hedge accounting requirements. Since Cameco does not apply hedge accounting, there was no impact on the consolidated financial statements.

B. New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards are not yet effective for the period ended September 30, 2018 and have not been applied in preparing these condensed consolidated interim financial statements. Cameco does not intend to early adopt any of the following standards or amendments to existing standards, unless otherwise noted.

i. Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Based on our assessment completed to date, we do not expect adoption of the standard to have a material impact on the financial statements, however we do expect to have additional disclosures.

ii. Income tax

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* (IFRIC 23). IFRIC 23 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. We do not expect adoption of the standard to have a material impact on the financial statements.

4. Impairment

In the third quarter of 2017, Cameco restructured its global marketing organization in response to the changing business environment. The restructuring significantly impacted the marketing activities historically performed by NUKEM. In accordance with the provisions of IAS 36, *Impairment of Assets*, Cameco considered this to be an indicator that the assets of the cash generating unit could potentially be impaired and accordingly, we were required to estimate the recoverable amount of these assets.

The recoverable amount of NUKEM was estimated based on a fair value less costs to sell calculation and was concluded to be equal to the carrying value of its inventory and existing contracts. A change in the previous assumption, that there would be cash flows generated beyond a five-year period, resulted in the elimination of the terminal value. Accordingly, an impairment charge of \$111,399,000 (\$88,377,000 (US)) was recorded, representing the full carrying value of NUKEM goodwill.

5. Short-term investments

Short-term investments are denominated in Canadian dollars and are comprised of money market instruments with terms to maturity between three and 12 months. Short-term investments are classified as at amortized cost.

6. Inventories

	Sep 30/18	Dec 31/17
Uranium		
Concentrate	\$ 302,428	\$ 820,426
Broken ore	49,909	47,083
	352,337	867,509
NUKEM	101,644	13,801
Fuel services	90,814	68,456
Total	\$ 544,795	\$ 949,766

Cameco expensed \$417,498,000 of inventory as cost of sales during the third quarter of 2018 (2017 - \$400,962,000). For the nine months ended September 30, 2018, Cameco expensed \$957,249,000 of inventory as cost of sales (2017 - \$1,059,824,000). Included in cost of sales for the period ended September 30, 2018, is a \$29,599,000 write-down of NUKEM inventory to reflect net realizable value (September 30, 2017 - \$11,809,000).

7. Long-term receivables, investments and other

	Sep 30/18	Dec 31/17
Investments in equity securities [note 19]	\$ 14,755	\$ 21,417
Derivatives [note 19]	14,333	40,804
Advances receivable from JV Inkai LLP [note 21]	125,337	58,820
Investment tax credits	95,246	92,846
Amounts receivable related to tax dispute [note 15]	303,222	303,222
Product loan ^(a)	129,357	-
Other	49,846	39,053
	732,096	556,162
Less current portion	(25,010)	(36,089)
Net	\$ 707,086	\$ 520,073

(a) As a result of the decision to temporarily suspend production at the McArthur River mine, Cameco has entered into an agreement with its joint venture partner, Orano Canada Inc., (Orano) to provide them with up to 5,400,000 pounds of uranium concentrate through 2018. The product is deliverable in 12 equal monthly instalments of 450,000 pounds. Orano is not obligated to take delivery but must provide 30 days' notice prior to the upcoming delivery date if they do not wish to take that delivery. Orano is obligated to repay us in kind with uranium concentrate no later than December 31, 2023. At September 30, 2018, Cameco had provided 4,050,000 pounds under this agreement. The loan is recorded at Cameco's weighted average cost of inventory.

8. Equity-accounted investee

On December 11, 2017, the Company announced that the restructuring of JV Inkai outlined in the implementation agreement dated May 27, 2016 with Joint Stock Company National Atomic Company Kazatomprom (Kazatomprom) and JV Inkai closed and would take effect January 1, 2018. As a result of the restructuring, Cameco's ownership interest was adjusted to 40% (previously 60%) and Cameco began accounting for JV Inkai on an equity basis, prospectively, as of January 1, 2018 as it was concluded Cameco no longer has joint control over the joint venture.

JV Inkai is the operator of the Inkai uranium deposit located in Kazakhstan. Cameco holds a 40% interest and Kazatomprom holds a 60% interest in JV Inkai. JV Inkai is a uranium mining and milling operation that utilizes in-situ recovery (ISR) technology to extract uranium. The participants in JV Inkai purchase uranium from Inkai and, in turn, derive revenue directly from the sale of such product to third-party customers.

The following tables summarize the financial information of JV Inkai (100%) at September 30, 2018 and for the three and nine months ended September 30, 2018:

	Sep 30/18			
Cash and cash equivalents	\$ 14,153			
Other current assets	77,288			
Non-current assets	485,503			
Current liabilities	(140,738)			
Non-current liabilities	(45,893)			
Net assets	\$ 390,313			
	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Revenue from products and services	\$ 37,710	\$ -	\$ 92,926	\$ -
Cost of products and services sold	(9,620)	-	(29,485)	-
Depreciation and amortization	(5,089)	-	(15,628)	-
Finance income	49	-	121	-
Finance costs	(1,640)	-	(4,721)	-
Other expense	(9,632)	-	(18,502)	-
Income tax expense	(2,886)	-	(5,678)	-
Net earnings	\$ 8,892	\$ -	\$ 19,033	\$ -
Cameco's share	3,557	-	7,613	-
Adjustments ^(b)	(1,980)	-	(1,546)	-
Cameco's share of net earnings	\$ 1,577	\$ -	\$ 6,067	\$ -

The following table reconciles the summarized financial information to the carrying amount of Cameco's interest in JV Inkai:

Cameco's share of net assets, before restructuring	\$ 236,857
Adjustments ^(a)	(75,257)
Carrying amount in the statement of financial position, before restructuring	161,600
Share of net earnings	7,613
Gain on restructuring [note 14]	43,120
Impact of foreign exchange	(6,371)
Adjustments ^(b)	(1,546)
Carrying amount in the statement of financial position at September 30, 2018	\$ 204,416

(a) In addition to its proportionate share of earnings from JV Inkai, Cameco records certain consolidating adjustments to eliminate unrealized profit and amortize historical differences in accounting policies. This amount is amortized to earnings over units of production.

(b) Following the restructuring, in addition to the adjustments noted in (a), Cameco also amortizes the fair values assigned to assets and liabilities at the time of the restructuring over units of production.

9. Other liabilities

	Sep 30/18	Dec 31/17
Deferred sales	\$ 36,526	\$ 29,148
Derivatives [note 19]	35,852	23,414
Accrued pension and post-retirement benefit liability	77,276	74,804
Other	71,349	53,107
	221,003	180,473
Less current portion	(73,600)	(54,370)
Net	\$ 147,403	\$ 126,103

10. Provisions

	Reclamation	Waste disposal	Total
Beginning of year	\$ 905,400	\$ 8,140	\$ 913,540
Changes in estimates and discount rates			
Capitalized in property, plant, and equipment	36,017	-	36,017
Recognized in earnings	49,487	1,163	50,650
Change to equity accounting	(3,049)	-	(3,049)
Provisions used during the period	(20,515)	(33)	(20,548)
Unwinding of discount	16,868	116	16,984
Impact of foreign exchange	8,919	-	8,919
End of period	\$ 993,127	\$ 9,386	\$ 1,002,513
Current	51,744	2,166	53,910
Non-current	941,383	7,220	948,603
	\$ 993,127	\$ 9,386	\$ 1,002,513

11. Share capital

At September 30, 2018, there were 395,792,732 common shares outstanding. Options in respect of 9,003,460 shares are outstanding under the stock option plan and are exercisable up to 2026. For the quarter ended September 30, 2018, there were no options that were exercised resulting in the issuance of shares (2017 - nil). For the nine months ended September 30, 2018, no options were exercised that resulted in the issuance of shares (2017 - 210).

12. Revenue

Cameco's uranium and fuel services sales contracts with customers contain both fixed and market-related pricing. Fixed-price contracts are typically based on a term-price indicator at the time the contract is accepted and escalated over the term of the contract. Market-related contracts are based on either the spot price or long-term price, and the price is quoted at the time of delivery rather than at the time the contract is accepted. These contracts often include a floor and/or ceiling prices, which are usually escalated over the term of the contract. Escalation is generally based on the Consumer Price Index. Cameco's contracts contain either one of these pricing mechanisms or a combination of the two. Cameco's contracts do not contain variable consideration and therefore no revenue is considered constrained at the time of delivery. Cameco expenses the incremental costs of obtaining a contract as incurred as the amortization period is less than a year.

The following table summarizes Cameco's sales disaggregated by geographical region and contract type and includes a reconciliation to Cameco's reportable segments (note 20):

For the three months ended September 30, 2018

	Uranium	Fuel services	Other	Total
Customer geographical region				
Americas	\$ 183,580	\$ 45,914	\$ 2,132	\$ 231,626
Europe	55,596	8,268	-	63,864
Asia	178,894	6,450	6,810	192,154
	\$ 418,070	\$ 60,632	\$ 8,942	\$ 487,644
Contract type				
Fixed-price	\$ 101,782	\$ 57,362	\$ 4,314	\$ 163,458
Market-related	316,288	3,270	4,628	324,186
	\$ 418,070	\$ 60,632	\$ 8,942	\$ 487,644

For the three months ended September 30, 2017

	Uranium	Fuel services	Other	Total
Customer geographical region				
Americas	\$ 219,236	\$ 51,360	\$ 9,658	\$ 280,254
Europe	52,002	13,941	6,408	72,351
Asia	113,521	3,738	15,730	132,989
	\$ 384,759	\$ 69,039	\$ 31,796	\$ 485,594
Contract type				
Fixed-price	\$ 124,561	\$ 60,933	\$ 31,796	\$ 217,290
Market-related	260,198	8,106	-	268,304
	\$ 384,759	\$ 69,039	\$ 31,796	\$ 485,594

For the nine months ended September 30, 2018

	Uranium	Fuel services	Other	Total
Customer geographical region				
Americas	\$ 468,514	\$ 141,143	\$ 34,734	\$ 644,391
Europe	152,931	31,190	10,693	194,814
Asia	392,901	21,363	6,858	421,122
	\$ 1,014,346	\$ 193,696	\$ 52,285	\$ 1,260,327
Contract type				
Fixed-price	\$ 335,816	\$ 184,690	\$ 47,657	\$ 568,163
Market-related	678,530	9,006	4,628	692,164
	\$ 1,014,346	\$ 193,696	\$ 52,285	\$ 1,260,327

For the nine months ended September 30, 2017

	Uranium	Fuel services	Other	Total
Customer geographical region				
Americas	\$ 494,349	\$ 155,411	\$ 73,464	\$ 723,224
Europe	150,702	34,944	99,059	284,705
Asia	298,045	15,580	26,326	339,951
	\$ 943,096	\$ 205,935	\$ 198,849	\$ 1,347,880
Contract type				
Fixed-price	\$ 317,138	\$ 188,228	\$ 196,314	\$ 701,680
Market-related	625,958	17,707	2,535	646,200
	\$ 943,096	\$ 205,935	\$ 198,849	\$ 1,347,880

13. Finance costs

	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Interest on long-term debt	\$ 18,308	\$ 18,365	\$ 54,975	\$ 54,761
Unwinding of discount on provisions	5,853	5,026	16,984	16,685
Other charges	3,877	3,826	11,217	11,518
Total	\$ 28,038	\$ 27,217	\$ 83,176	\$ 82,964

14. Other income (expense)

	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Foreign exchange gains (losses)	\$ (6,103)	\$ (20,850)	\$ 13,992	\$ (32,009)
Gain on restructuring of JV Inkaï ^(a)	-	-	48,570	-
Sale of exploration interests	-	-	7,797	-
Contract restructuring	-	-	6,201	-
Other	19	2	122	(11)
Total	\$ (6,084)	\$ (20,848)	\$ 76,682	\$ (32,020)

(a) Effective January 1, 2018, Cameco's ownership interest in JV Inkai was reduced from 60% to 40% based on an implementation agreement with Kazatomprom. Cameco recognized a gain on the change in ownership interests of \$48,570,000. Included in this gain is \$5,450,000 which has been reclassified from the foreign currency translation reserve to net earnings.

15. Income taxes

	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Earnings (loss) before income taxes				
Canada	\$ (99,614)	\$ 18,401	\$ (173,993)	\$ 93,587
Foreign	40,589	(144,794)	74,291	(206,336)
	\$ (59,025)	\$ (126,393)	\$ (99,702)	\$ (112,749)
Current income taxes (recovery)				
Canada	\$ 410	\$ 1,445	\$ 4,798	\$ 3,545
Foreign	977	(9,471)	5,676	(4,585)
	\$ 1,387	\$ (8,026)	\$ 10,474	\$ (1,040)
Deferred income taxes (recovery)				
Canada	\$ (90,662)	\$ 2,007	\$ (120,698)	\$ 37,811
Foreign	2,143	3,383	4,126	(6,031)
	\$ (88,519)	\$ 5,390	\$ (116,572)	\$ 31,780
Income tax expense (recovery)	\$ (87,132)	\$ (2,636)	\$ (106,098)	\$ 30,740

Cameco has recorded \$980,200,000 of deferred tax assets (December 31, 2017 - \$861,171,000). The realization of these deferred tax assets is dependent upon the generation of future taxable income in certain jurisdictions during the periods in which the Company's temporary tax differences are available. The Company considers whether it is probable that all or a portion of the deferred tax assets will not be realized. In making this assessment, management considers all available evidence, including recent financial operations, projected future taxable income and tax planning strategies. Based on projections of future taxable income over the periods in which the deferred tax assets are available, realization of these deferred tax assets is probable and consequently the deferred tax assets have been recorded.

Canada

In 2008, as part of the ongoing annual audits of Cameco's Canadian tax returns, Canada Revenue Agency (CRA) disputed the transfer pricing structure and methodology used by Cameco and its wholly owned Swiss subsidiary, Cameco Europe Ltd., in respect of sale and purchase agreements for uranium products. From December 2008 to date, CRA issued notices of reassessment for the taxation years 2003 through 2012, which in aggregate have increased Cameco's income for Canadian tax purposes by approximately \$4,900,000,000. CRA has also issued notices of reassessment for transfer pricing penalties for the years 2007 through 2011 in the amount of \$371,000,000. It is uncertain whether CRA will reassess Cameco's tax returns for subsequent years on a similar basis and if these will require Cameco to make future remittances or provide security on receipt of the reassessments.

On September 26, the Tax Court of Canada (Tax Court) ruled in our favour in our case with the Canada Revenue Agency (CRA) for the 2003, 2005 and 2006 tax years.

The Tax Court ruled that our marketing and trading structure involving foreign subsidiaries and the related transfer pricing methodology used for certain intercompany uranium purchase and sale agreements were in full compliance with Canadian laws for the three tax years in question. While the decision applies only to the first three tax years under dispute, we believe there is nothing in the decision that would warrant a materially different outcome for subsequent tax years. Given the ruling in our favor, and the endorsement by the Tax Court of our transfer pricing methodology, we have reversed the cumulative tax provision related to this matter for the years 2003 through the current period in the amount of \$61,000,000. We expect to recover any amounts remitted or secured as a result of the reassessments.

On October 25, 2018, CRA filed a notice of appeal with the Federal Court of Appeal. We anticipate that it will take about two years to receive a decision from the Federal Court of Appeal.

We expect the Tax Court's decision to be upheld on appeal. We expect any further actions regarding the tax years 2007 through 2012 will be suspended until the three years covered in the decision are finally resolved, with the exception of a potential transfer pricing penalty for 2012. Despite the fact that we believe there is no basis to do so, and it is not our view of the likely outcome, CRA may continue to reassess us using the methodology it reassessed the 2003 through 2012 tax years with. In that scenario, and including the \$4,900,000,000 already reassessed, we expect to receive notices of reassessment for a total of approximately \$8,400,000,000 for the years 2003 through 2017, which would increase Cameco's income for Canadian tax purposes and result in a related tax expense of approximately \$2,500,000,000. In addition to penalties already imposed, CRA may continue to apply penalties to taxation years subsequent to 2011. As a result, we estimate that cash taxes and transfer pricing penalties would be between \$1,950,000,000 and \$2,150,000,000. In addition, we estimate there would be interest and instalment penalties applied that would be material to Cameco. While in dispute, we would be responsible for remitting or otherwise securing 50% of the cash taxes and transfer pricing penalties (between \$970,000,000 and \$1,070,000,000), plus related interest and instalment penalties assessed, which would be material to Cameco.

Under Canadian federal and provincial tax rules, the amount required to be remitted each year will depend on the amount of income reassessed in that year and the availability of elective deductions. CRA disallowed the use of any loss carry-backs to be applied to any transfer pricing adjustment, starting with the 2008 tax year. In light of our view of the likely outcome of the case, we expect to recover the amounts remitted to CRA, including cash taxes, interest and penalties totalling \$303,222,000 already paid as at September 30, 2018 (December 31, 2017 - \$303,222,000) (note 7). In addition to the cash remitted, we have provided \$478,000,000 in letters of credit to secure 50% of the cash taxes and related interest.

Management believes that the ultimate resolution will not be material to Cameco's financial position, results of operations or liquidity in the year(s) of resolution. Resolution of this matter as stipulated by CRA would be material to Cameco's financial position, results of operations or liquidity in the year(s) of resolution and other unfavourable outcomes for the years 2003 to date could be material to Cameco's financial position, results of operations and cash flows in the year(s) of resolution.

Further to Cameco's decision to contest CRA's reassessments, Cameco is pursuing its appeal rights under Canadian federal and provincial tax rules.

16. Per share amounts

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the period. The weighted average number of paid shares outstanding in 2018 was 395,792,732 (2017 - 395,792,670).

	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Basic earnings (loss) per share computation				
Net earnings (loss) attributable to equity holders	\$ 28,124	\$ (123,712)	\$ 6,451	\$ (143,316)
Weighted average common shares outstanding	395,793	395,793	395,793	395,793
Basic earnings (loss) per common share	\$ 0.07	\$ (0.31)	\$ 0.02	\$ (0.36)
Diluted earnings (loss) per share computation				
Net earnings (loss) attributable to equity holders	\$ 28,124	\$ (123,712)	\$ 6,451	\$ (143,316)
Weighted average common shares outstanding	395,793	395,793	395,793	395,793
Dilutive effect of stock options	258	-	208	-
Weighted average common shares outstanding, assuming dilution	396,051	395,793	396,001	395,793
Diluted earnings (loss) per common share	\$ 0.07	\$ (0.31)	\$ 0.02	\$ (0.36)

17. Statements of cash flows

	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Changes in non-cash working capital:				
Accounts receivable	\$ (95,979)	\$ (75,753)	\$ 73,120	\$ 51,748
Inventories	189,245	150,297	237,347	136,222
Supplies and prepaid expenses	14,980	2,662	36,805	5,463
Accounts payable and accrued liabilities	126,846	4,619	57,592	(115,660)
Reclamation payments	(8,972)	(5,646)	(20,548)	(11,494)
Other	(2,757)	16,512	(1,591)	14,783
Other operating items	\$ 223,363	\$ 92,691	\$ 382,725	\$ 81,062

18. Share-based compensation plans

A. Stock option plan

The Company has established a stock option plan under which options to purchase common shares may be granted to employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange (TSX) for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options carry vesting periods of one to three years, and expire eight years from the date granted.

The aggregate number of common shares that may be issued pursuant to the Cameco stock option plan shall not exceed 43,017,198 of which 27,870,289 shares have been issued.

B. Executive performance share unit (PSU)

The Company has established a PSU plan whereby it provides each plan participant an annual grant of PSUs in an amount determined by the board. Each PSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash with an equivalent market value, at the board's discretion, at the end of each three-year period if certain performance and vesting criteria have been met. The final value of the PSUs will be based on the value of Cameco common shares at the end of the three-year period and the number of PSUs that ultimately vest. Vesting of PSUs at the end of the three-year period will be based on total shareholder return over the three years, Cameco's ability to meet its annual operating targets and whether the participating executive remains employed by Cameco at the end of the three-year vesting period. As of September 30, 2018, the total number of PSUs held by the participants, after adjusting for forfeitures on retirement, was 1,340,970 (December 31, 2017 - 1,070,997).

C. Restricted share unit (RSU)

The Company has established an RSU plan whereby it provides each plan participant an annual grant of RSUs in an amount determined by the board. Each RSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash with an equivalent market value, at the board's discretion. The RSUs carry vesting periods of one to three years, and the final value of the units will be based on the value of Cameco common shares at the end of the vesting periods. As of September 30, 2018, the total number of RSUs held by the participants was 538,386 (December 31, 2017 - 463,151).

Cameco records compensation expense under its equity-settled plans with an offsetting credit to contributed surplus, to reflect the estimated fair value of units granted to employees. During the period, the Company recognized the following expenses under these plans:

	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Stock option plan	\$ 470	\$ 393	\$ 4,258	\$ 4,545
Performance share unit plan	1,819	1,730	5,857	4,634
Restricted share unit plan	577	801	2,141	2,034
	\$ 2,866	\$ 2,924	\$ 12,256	\$ 11,213

Fair value measurement of equity-settled plans

The fair value of the units granted through the PSU plan was determined based on Monte Carlo simulation and the fair value of options granted under the stock option plan was measured based on the Black-Scholes option-pricing model. The fair value of RSUs granted was determined based on their intrinsic value on the date of grant. Expected volatility was estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Stock option plan	PSU	RSU
Number of options granted	1,473,430	602,530	377,021
Average strike price	\$11.32	-	\$11.46
Expected dividend	\$0.08	-	-
Expected volatility	35%	37%	-
Risk-free interest rate	2.0%	1.9%	-
Expected life of option	4.8 years	3 years	-
Expected forfeitures	7%	9%	13%
Weighted average grant date fair values	\$3.48	\$11.43	\$11.46

In addition to these inputs, other features of the PSU grant were incorporated into the measurement of fair value. The market condition based on total shareholder return was incorporated by utilizing a Monte Carlo simulation. The non-market criteria relating to realized selling prices and operating targets have been incorporated into the valuation at grant date by reviewing prior history and corporate budgets.

19. Financial instruments and related risk management

A. Accounting classifications and fair values

The following tables summarize the carrying amounts and accounting classifications of Cameco's financial instruments at the reporting date:

At September 30, 2018

	FVTPL	Amortized cost	FVOCI - designated	FVOCI	Total
Financial assets					
Cash and cash equivalents	\$ -	\$ 609,182	\$ -	\$ -	\$ 609,182
Short-term investments	-	485,589	-	-	485,589
Accounts receivable	-	195,816	-	76,117	271,933
Derivative assets [note 7]					
Foreign currency contracts	14,127	-	-	-	14,127
Interest rate contracts	206	-	-	-	206
Investments in equity securities [note 7]	-	-	14,755	-	14,755
Advances receivable from Inkai [note 21]	-	125,337	-	-	125,337
	14,333	1,415,924	14,755	76,117	1,521,129
Financial liabilities					
Accounts payable and accrued liabilities	-	320,027	-	-	320,027
Current portion of long-term debt	-	499,448	-	-	499,448
Derivative liabilities [note 9]					
Foreign currency contracts	17,693	-	-	-	17,693
Interest rate contracts	2,644	-	-	-	2,644
Uranium contracts	15,515	-	-	-	15,515
Long-term debt	-	995,912	-	-	995,912
	35,852	1,815,387	-	-	1,851,239
Net	(21,519)	(399,463)	14,755	76,117	(330,110)

At December 31, 2017

	FVTPL	Amortized cost	FVOCI - designated	FVOCI	Total
Financial assets					
Cash and cash equivalents	\$ -	\$ 591,620	\$ -	\$ -	\$ 591,620
Accounts receivable	-	362,128	-	34,696	396,824
Derivative assets [note 7]					
Foreign currency contracts	39,984	-	-	-	39,984
Interest rate contracts	820	-	-	-	820
Investments in equity securities [note 7]	-	-	21,417	-	21,417
Advances receivable from Inkai [note 21]	-	58,820	-	-	58,820
	\$ 40,804	\$ 1,012,568	\$ 21,417	\$ 34,696	\$ 1,109,485
Financial liabilities					
Accounts payable and accrued liabilities	\$ -	\$ 258,405	\$ -	\$ -	\$ 258,405
Derivative liabilities [note 9]					
Foreign currency contracts	5,624	-	-	-	5,624
Interest rate contracts	970	-	-	-	970
Uranium contracts	16,820	-	-	-	16,820
Dividends payable	-	39,579	-	-	39,579
Long-term debt	-	1,494,471	-	-	1,494,471
	23,414	1,792,455	-	-	1,815,869
Net	\$ 17,390	\$ (779,887)	\$ 21,417	\$ 34,696	\$ (706,384)

Cameco has pledged \$140,528,000 of cash as security against certain of its letter of credit facilities. This cash is being used as collateral for an interest rate reduction on the letter of credit facilities. The collateral account has a term of five years effective July 1, 2018. Cameco retains full access to this cash.

Under IAS 39, Cameco had classified its accounts receivable as loans and receivable. As required by IFRS 9, accounts receivable has been reclassified as measured at amortized cost with the exception of balances that are subject to factoring arrangements which are now classified as measured at FVOCI.

The investments in equity securities represent investments that Cameco intends to hold for the long-term for strategic purposes. As permitted by IFRS 9, these investments have been designated at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

B. Fair value hierarchy

The fair value of an asset or liability is generally estimated as the amount that would be received on sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the reporting date. Fair values of assets and liabilities traded in an active market are determined by reference to last quoted prices, in the principal market for the asset or liability. In the absence of an active market for an asset or liability, fair values are determined based on market quotes for assets or liabilities with similar characteristics and risk profiles, or through other valuation techniques. Fair values determined using valuation techniques require the use of inputs, which are obtained from external, readily observable market data when available. In some circumstances, inputs that are not based on observable data must be used. In these cases, the estimated fair values may be adjusted in order to account for valuation uncertainty, or to reflect the assumptions that market participants would use in pricing the asset or liability.

All fair value measurements are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the reporting date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables summarize the carrying amounts and fair values of Cameco's financial instruments that are measured at fair value, including their levels in the fair value hierarchy:

As at September 30, 2018

	Carrying value	Fair value		
		Level 1	Level 2	Total
Derivative assets [note 7]				
Foreign currency contracts	\$ 14,127	\$ -	\$ 14,127	\$ 14,127
Interest rate contracts	206	-	206	206
Investments in equity securities [note 7]	14,755	14,755	-	14,755
Current portion of long-term debt	(499,448)	-	(514,127)	(514,127)
Derivative liabilities [note 9]				
Foreign currency contracts	(17,693)	-	(17,693)	(17,693)
Interest rate contracts	(2,644)	-	(2,644)	(2,644)
Uranium contracts	(15,515)	-	(15,515)	(15,515)
Long-term debt	(995,912)	-	(1,090,421)	(1,090,421)
Net	\$ (1,502,124)	\$ 14,755	\$ (1,626,067)	\$ (1,611,312)

As at December 31, 2017

	Carrying value	Fair value		
		Level 1	Level 2	Total
Derivative assets [note 7]				
Foreign currency contracts	\$ 39,984	\$ -	\$ 39,984	\$ 39,984
Interest rate contracts	820	-	820	820
Investments in equity securities [note 7]	21,417	21,417	-	21,417
Derivative liabilities [note 9]				
Foreign currency contracts	(5,624)	-	(5,624)	(5,624)
Interest rate contracts	(970)	-	(970)	(970)
Uranium contracts	(16,820)	-	(16,820)	(16,820)
Long-term debt	(1,494,471)	-	(1,652,230)	(1,652,230)
Net	\$ (1,455,664)	\$ 21,417	\$ (1,634,840)	\$ (1,613,423)

The preceding tables exclude fair value information for financial instruments whose carrying amounts are a reasonable approximation of fair value.

There were no transfers between level 1 and level 2 during the period. Cameco does not have any financial instruments that are classified as level 3 as of the reporting date.

C. Financial instruments measured at fair value

Cameco measures its derivative financial instruments, material investments in equity securities and long-term debt at fair value. Investments in publicly held equity securities are classified as a recurring level 1 fair value measurement while derivative financial instruments and long-term debt are classified as recurring level 2 fair value measurements.

The fair value of investments in equity securities is determined using quoted share prices observed in the principal market for the securities as of the reporting date. The fair value of Cameco's long-term debt is determined using quoted market yields as of the reporting date, which ranged from 1.9% to 2.5% (2017 - 1.6% to 2.3%).

Foreign currency derivatives consist of foreign currency forward contracts, options and swaps. The fair value of foreign currency options is measured based on the Black Scholes option-pricing model. The fair value of foreign currency forward contracts and swaps is measured using a market approach, based on the difference between contracted foreign exchange rates and quoted forward exchange rates as of the reporting date.

Interest rate derivatives consist of interest rate swap contracts. The fair value of interest rate swaps is determined by discounting expected future cash flows from the contracts. The future cash flows are determined by measuring the difference between fixed interest payments to be received and floating interest payments to be made to the counterparty based on Canada Dealer Offer Rate forward interest rate curves.

Uranium contract derivatives consist of written options and price swaps. The fair value of uranium options is measured based on the Black Scholes option-pricing model. The fair value of uranium price swaps is determined by discounting expected future cash flows from the contracts. The future cash flows are determined by measuring the difference between fixed purchases or sales under contracted prices, and floating purchases or sales based on Numerco forward uranium price curves.

Where applicable, the fair value of the derivatives reflects the credit risk of the instrument and includes adjustments to take into account the credit risk of the Company and counterparty. These adjustments are based on credit ratings and yield curves observed in active markets at the reporting date.

D. Other financial instruments

The carrying value of Cameco's cash and cash equivalents, short-term investments, accounts receivable, including accounts receivable subject to factoring arrangements and classified as measured at FVOCI, and accounts payable and accrued liabilities approximates its fair value as a result of the short-term nature of the instruments.

E. Derivatives

The following table summarizes the fair value of derivatives and classification on the consolidated statements of financial position:

	Sep 30/18	Dec 31/17
Non-hedge derivatives:		
Foreign currency contracts	\$ (3,566)	\$ 34,360
Interest rate contracts	(2,438)	(150)
Uranium contracts	(15,515)	(16,820)
Net	\$ (21,519)	\$ 17,390
Classification:		
Current portion of long-term receivables, investments and other [note 7]	\$ 6,323	\$ 25,948
Long-term receivables, investments and other [note 7]	8,010	14,856
Current portion of other liabilities [note 9]	(19,267)	(11,249)
Other liabilities [note 9]	(16,585)	(12,165)
Net	\$ (21,519)	\$ 17,390

The following table summarizes the different components of the gain (loss) on derivatives included in net earnings (loss):

	Three months ended		Nine months ended	
	Sep 30/18	Sep 30/17	Sep 30/18	Sep 30/17
Non-hedge derivatives				
Foreign currency contracts	\$ 22,051	\$ 24,383	\$ (30,669)	\$ 61,649
Interest rate contracts	(1,708)	(2,361)	(1,439)	(3,613)
Uranium contracts	2,052	(295)	1,825	(2,229)
Net	\$ 22,395	\$ 21,727	\$ (30,283)	\$ 55,807

20. Segmented information

As a result of a change to the way its global marketing activities are organized, during the first quarter, Cameco discontinued the reporting of NUKEM as a reportable segment. The consolidation of Canadian and international marketing activities in Saskatoon has resulted in NUKEM's activities no longer meeting the quantitative thresholds for separate disclosure. Its results are now included in the "other" column and comparative information has been adjusted.

Cameco now has two reportable segments: uranium and fuel services. Cameco's reportable segments are strategic business units with different products, processes and marketing strategies. The uranium segment involves the exploration for, mining, milling, purchase and sale of uranium concentrate. The fuel services segment involves the refining, conversion and fabrication of uranium concentrate and the purchase and sale of conversion services.

Cost of sales in the uranium segment includes care and maintenance costs for our operations that have had production suspensions. Cameco expensed \$64,950,000 of care and maintenance costs during the third quarter of 2018 (2017 - \$8,041,000). For the nine months ended September 30, 2018, Cameco expensed \$160,440,000 (2017 - \$27,907,000).

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies. Segment revenues, expenses and results include transactions between segments incurred in the ordinary course of business. These transactions are priced on an arm's length basis, are eliminated on consolidation and are reflected in the "other" column.

Business segments

For the three months ended September 30, 2018

	Uranium	Fuel services	Other	Total
Revenue	\$ 418,070	\$ 60,632	\$ 8,942	\$ 487,644
Expenses				
Cost of products and services sold	341,645	48,374	3,492	393,511
Depreciation and amortization	85,599	7,933	6,356	99,888
Cost of sales	427,244	56,307	9,848	493,399
Gross profit (loss)	(9,174)	4,325	(906)	(5,755)
Administration	-	-	39,444	39,444
Exploration	4,834	-	-	4,834
Research and development	-	-	187	187
Other operating expense	4,548	-	-	4,548
Gain (loss) on disposal of assets	(176)	34	-	(142)
Finance costs	-	-	28,038	28,038
Gain on derivatives	-	-	(22,395)	(22,395)
Finance income	-	-	(5,751)	(5,751)
Share of earnings from equity-accounted investee	(1,577)	-	-	(1,577)
Other expense (income)	(20)	-	6,104	6,084
Earnings (loss) before income taxes	(16,783)	4,291	(46,533)	(59,025)
Income tax recovery				(87,132)
Net earnings				\$ 28,107

For the three months ended September 30, 2017

	Uranium	Fuel services	Other	Total
Revenue	\$ 384,759	\$ 69,039	\$ 31,796	\$ 485,594
Expenses				
Cost of products and services sold	250,508	55,039	32,394	337,941
Depreciation and amortization	83,161	10,387	3,078	96,626
Cost of sales	333,669	65,426	35,472	434,567
Gross profit (loss)	51,090	3,613	(3,676)	51,027
Administration	-	-	40,132	40,132
Impairment charge	-	-	111,399	111,399
Exploration	8,080	-	-	8,080
Research and development	-	-	943	943
Other operating income	(9,338)	-	-	(9,338)
Loss on disposal of assets	1,135	67	5	1,207
Finance costs	-	-	27,217	27,217
Gain on derivatives	-	-	(21,727)	(21,727)
Finance income	-	-	(1,341)	(1,341)
Other expense	-	-	20,848	20,848
Earnings (loss) before income taxes	51,213	3,546	(181,152)	(126,393)
Income tax recovery				(2,636)
Net loss				\$ (123,757)

For the nine months ended September 30, 2018

	Uranium	Fuel services	Other	Total
Revenue	\$ 1,014,346	\$ 193,696	\$ 52,285	\$ 1,260,327
Expenses				
Cost of products and services sold	729,734	136,884	74,048	940,666
Depreciation and amortization	196,053	22,759	12,255	231,067
Cost of sales	925,787	159,643	86,303	1,171,733
Gross profit (loss)	88,559	34,053	(34,018)	88,594
Administration	-	-	105,806	105,806
Exploration	17,380	-	-	17,380
Research and development	-	-	(852)	(852)
Other operating expense	49,487	-	-	49,487
Loss on disposal of assets	253	251	21	525
Finance costs	-	-	83,176	83,176
Loss on derivatives	-	-	30,283	30,283
Finance income	-	-	(14,760)	(14,760)
Share of earnings from equity-accounted investee	(6,067)	-	-	(6,067)
Other income	(62,689)	-	(13,993)	(76,682)
Earnings (loss) before income taxes	90,195	33,802	(223,699)	(99,702)
Income tax recovery				(106,098)
Net earnings				\$ 6,396

For the nine months ended September 30, 2017

	Uranium	Fuel services	Other	Total
Revenue	\$ 943,096	\$ 205,935	\$ 198,849	\$ 1,347,880
Expenses				
Cost of products and services sold	591,449	138,138	201,503	931,090
Depreciation and amortization	172,159	25,764	19,604	217,527
Cost of sales	763,608	163,902	221,107	1,148,617
Gross profit (loss)	179,488	42,033	(22,258)	199,263
Administration	-	-	124,562	124,562
Impairment charge	-	-	111,399	111,399
Exploration	24,478	-	-	24,478
Research and development	-	-	5,310	5,310
Other operating income	(15,178)	-	-	(15,178)
Loss on disposal of assets	5,700	71	9	5,780
Finance costs	-	-	82,964	82,964
Gain on derivatives	-	-	(55,807)	(55,807)
Finance income	-	-	(3,516)	(3,516)
Other expense (income)	(8)	-	32,028	32,020
Earnings (loss) before income taxes	164,496	41,962	(319,207)	(112,749)
Income tax expense				30,740
Net loss				\$ (143,489)

21. Related parties

The shares of Cameco are widely held and no shareholder, resident in Canada, is allowed to own more than 25% of the Company's outstanding common shares, either individually or together with associates. A non-resident of Canada is not allowed to own more than 15%.

Related party transactions

Cameco funded JV Inkai's project development costs through an unsecured shareholder loan. The limit of the loan facility is \$175,000,000 (US) and advances under the facility bear interest at a rate of LIBOR plus 2%. At September 30, 2018, \$125,337,000 (\$97,100,000 (US)) of principal was outstanding (December 31, 2017 - \$147,050,000 (\$117,218,000 (US))) (note 7).

Effective January 1, 2018, due to a change in its ownership interest, Cameco now accounts for its interest in JV Inkai under the equity method. As a result, the full amount of the outstanding loan is reflected on the balance sheet as opposed to its 40% share as was reflected at December 31, 2017.

For the quarter ended September 30, 2018, Cameco recorded interest income of \$1,451,000 relating to this balance (2017 - \$554,000). For the nine month period ended September 30, 2018, interest income was \$4,227,000 (2017 - \$1,685,000).

22. Subsequent event

During the quarter it was announced that we had entered into an agreement to sell our interest in the Wheeler River Joint Venture. The deal closed on October 26, 2018. We will report a gain on the transaction in our fourth quarter financial results.