



## **Cameco Corporation**

# **Second Quarter 2017 Results Conference Call**

**Date:** July 27, 2017

**Time:** 1:00 PM EDT / 11:00 AM CDT

**Presenters:** **Tim Gitzel**  
Chief Executive Officer

**Grant Isaac**  
Senior Vice President and Chief Financial Officer

**Brian Reilly**  
Senior Vice President and Chief Operating Officer

**Sean Quinn**  
Senior Vice President, Chief Legal Officer and Corporate Secretary

**Rachelle Girard**  
Director, Investor Relations



## Q2 Conference Call

July 27, 2017

**OPERATOR:**

Welcome to the Cameco Corporation Second Quarter 2017 Results Conference Call. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should anyone need assistance during the conference call, you may signal an Operator by pressing star and zero.

I would now like to turn the conference over to Rachelle Girard, Director, Investor Relations. Please go ahead, Ms Girard.

**RACHELLE GIRARD:**

Thank you, Operator. Good afternoon everyone. Thanks for joining us. Welcome to Cameco's conference call to discuss the second quarter financial results. With us today on the call are Tim



Gitzel, President and CEO; Grant Isaac, Senior Vice President and CFO; Brian Reilly, Senior VP and Chief Operating Officer; Alice Wong, Senior VP and Chief Corporate Officer; and Sean Quinn, Senior VP, Chief Legal Officer and Corporate Secretary. Tim will begin with comments on our results and the industry, then we'll open it up for your questions.

If you joined the conference call through our website Event page, you will notice there will be slides displayed during the remarks portion of this call. These slides are also available for download in a PDF file called Conference Call Slides through the conference call link at [cameco.com](http://cameco.com). Today's conference call is open to all members of the investment community, including the media. During the Q&A session, please limit yourself to two questions and then return to the queue. For those on the webcast, if you have questions, please select the 'Submit a Question' feature to submit your questions by email and we will follow-up after the call.

## Forward-Looking Information Caution



This presentation includes forward-looking information or forward-looking statements under Canadian and U.S. securities laws, which we refer to as forward-looking formation. Forward-looking information is based upon our current views, which can change significantly, and actual results and events may be significantly different from what we currently expect. Examples of forward-looking information include: our expectation that adjusted net earnings will be weaker in 2017 than in 2016; our expectation that cash from operations will be higher in 2017 than in 2016; our 2017 outlook; our remaining 2017 quarterly delivery, realized price, and unit cost of production expectations; our ability to deliver increased shareholder value over the long-term and making changes to assure Cameco's long-term success; and, our expectation of favourable outcomes in the CRA and TEPCO cases. Material risks that could lead to different results include: unexpected changes in demand for uranium, our production, our costs, our mineral reserve estimates, uranium prices and government regulations or policies; our estimates prove to be inaccurate; the risk of litigation or arbitration claims that have an adverse outcome; the risk that our contract counterparties may not satisfy their commitments; the risk that our cost reduction strategies are unsuccessful, or have unanticipated consequences. In presenting the forward-looking information, we have made material assumptions which may prove incorrect about: uranium demand and prices; our costs; our production; taxes; the accuracy of our mineral reserve and other estimates; the absence of new and adverse government regulations or policies; the successful outcome of any litigation or arbitration claims; our ability to complete contracts on the agreed-upon terms; and that our cost reduction strategies will successfully achieve their objectives. Please also review the discussion in our quarterly and annual MD&A and our most recent annual information form for other material risks that could cause actual results to differ significantly from our current expectations, and other material assumptions we have made. 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.



Please note that this conference call will include forward-looking information, which is based on a number of assumptions and actual results could differ materially. Please refer to our Annual Information Form and MD&A for more information about the factors that could cause these different results and the assumptions we have made.

With that, I will turn it over to Tim.

**TIM GITZEL:**

Thank you, Rachelle, and welcome to everyone on the call today. We appreciate you taking the time to join us to discuss Cameco's second quarter results. Before I get to our results, I want to take a brief moment to recognize our good friend and colleague Bob Steane, who retired on June 30th after 34 years of outstanding service to Cameco. On behalf of our Board of Directors and our entire team we want to thank Bob for his contributions and wish him all the very best in his retirement.



Related to that, I'm very pleased to welcome Brian Reilly to Cameco's Senior Executive Team in the role of Chief Operating Officer. Brian joined Cameco in 2011 as Managing Director of Cameco Australia, where he was responsible for the Kintyre and Yeelirrie projects and a substantial exploration program. I have known Brian for over 20 years and worked with him for most of those and I know that he'll be a great addition to our Executive Team. Brian is with us on the call today, his first in his new role as Chief Operating Officer.

## ◀ Second Quarter Developments

### ***IRS settlement***

- Settled tax dispute with the IRS for 2009 - 2012
- Required to pay ~\$122,000 (US)
- Original proposed tax expense was \$122 million (US)

### ***Earnings results: notable items***

- Change in Saskatchewan corporate tax rate – impact on deferred tax asset
- NUKEM inventory writedown
- No cash impact, but combined, they reduce EPS by ~0.08/share (not adjusted out)

Let me start today by saying that we are very pleased to announce that we have settled our tax dispute with the United States Internal Revenue Service and as we expected the financial impact was not material. Just to remind you, our potential exposure based on the adjustments proposed by the IRS for this period was a tax expense of US\$122 million. By this settlement we were required to pay about US\$122,000 to resolve the dispute related to the 2009 through 2012 tax years. We are encouraged by this settlement as we believe it confirms, from an IRS perspective, our view that our structure and transfer pricing arrangements are appropriate.

Turning to our Q2 results, our results were impacted negatively by two items, neither of which is reflective of the strength of our core business. The first resulted from a change in corporate tax rates in Saskatchewan, which is actually good news for us as it was a decrease in rates, which means lower taxes going forward. However, the change caused us to reduce the deferred tax asset on our balance sheet by about \$24 million in the quarter. The reduction resulted in a one-



time expense in the quarter. As a result, we now expect a full-year tax expense on an adjusted net earnings basis of \$10 million to \$20 million, where previously we had expected a recovery of \$10 million to \$20 million.

The other item is related to NUKEM's inventory. We recorded a writedown of \$10 million in Q2 to reflect weaker uranium prices. Keep in mind, neither of these items impacts cash, but together they reduced earnings by about \$0.08 per share and due to the nature of the expenses we could not adjust them out.



That said, Cameco remains a financially stable company generating strong cash flows; however, today we continue to face difficult market conditions. The average uranium spot price year-to-date is 13% below the annual average for 2016, which if you recall was already among the most challenging markets we have faced.



So clearly those challenges continue. The outlook we provided at the beginning of the year reflected both the low uranium prices and the effect of the actions we have taken to address them. And although we have made some updates to that outlook, it did indicate that adjusted net earnings for 2017 are expected to be weaker than the \$0.36 per share we reported in 2016.

## A Deliberate Strategy

### 2017 outlook compared to 2012 results

- YTD cash production costs ~30% lower than 2012
- 2017 direct admin cost plan ~8% lower than 2012
- 2017 explo spend plan ~70% lower than 2012
- 2017 capex plan ~60% lower\* than 2012
- Reduced supply, disciplined sales

\*2012 capex net of Cigar Lake growth spending

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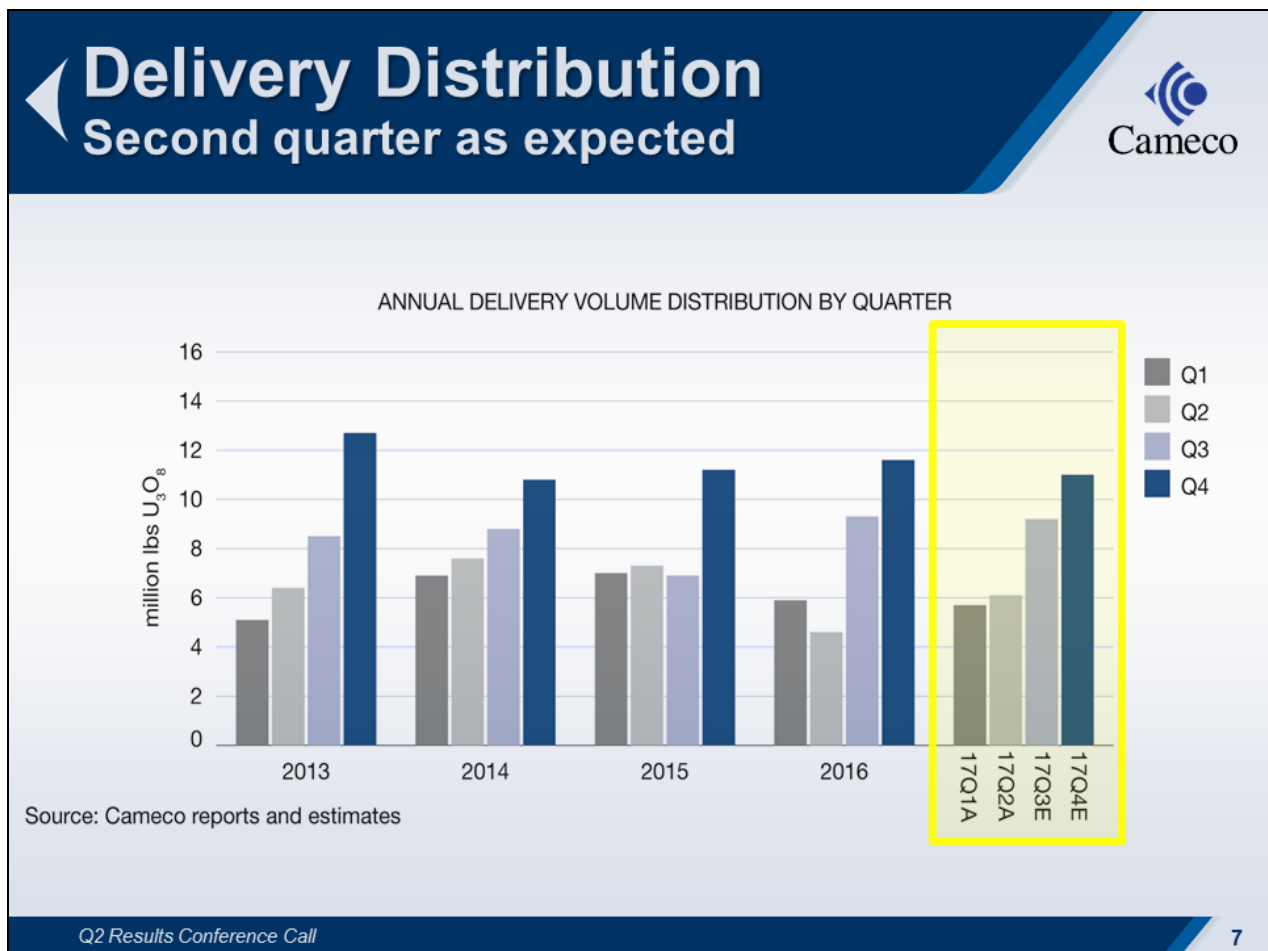
However, as I said, we continue to generate strong cash flows. We expect cash from operations in 2017 to be higher than the \$312 million reported in 2016. The increases result of the progress we have made in decreasing our operating, general and administration, and exploration costs, as well as a reduction in our purchasing activity which results in less cash tied up in inventory. In addition, we have pulled back our capital expenditures by almost 20% since last year, which has a positive impact on free cash flow.





So, some weaker quarterly results were anticipated. They reflect a very deliberate strategy to strengthen the Company in the long term, and that strategy is one of discipline. We have reduced supply, avoided selling into a weak spot market, resisted locking in long-term commitments at today's low prices, and of course we have significantly reduced costs.

We accept that these actions have a cost in the short term, in some cases adversely affecting results, but they are the right things to do and they position us well to deliver increased shareholder value over the long term no matter what the market conditions and that is our objective.



Looking at our core uranium business, performance was strong in Q2; our deliveries were in line with the guidance we provided in Q1. Our realized price was higher than the outlook we had provided. During the quarter, the exchange rate on our sales averaged US\$1.00 for CA\$1.35



versus the assumption used in our outlook of \$1.30. In the third quarter, we expect higher delivery volumes than Q2, however, due to the contracts we expect to make deliveries under, we expect to realize price to be the weakest for the year.

Taken together with our expectation for an annual average realized price of \$49 per pound, the math would imply the price for Q4 deliveries will be higher than the annual average. Of course, the actual results will depend on exchange rates and uranium market prices.

Also note that, similar to the past several years, we expect the higher proportion of annual deliveries to fall in the fourth quarter. Cash flows will follow a similar pattern to deliveries.

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## Maturing Tier-one Strategy

Positive impact on costs

**2017 compared to 2016...**

	<u>Q2</u>	<u>First six months</u>
Average unit cost of sales	<b>Decreased 26%</b>	<b>Decreased 15%</b>
Cash production costs	<b>Decreased 15%</b>	<b>Decreased 23%</b>
Direct administration	<b>Decreased 27%</b>	<b>Decreased 28%</b>

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Once again, our cost profile reflects a maturing Tier 1 strategy and shows the positive impact of our cost cutting measures. Average unit cost of sales in our uranium segment, including



depreciation and amortization, was down 26% for the quarter, and 15% for the first six months compared to the same periods last year. Our cash production costs are down 15% compared to Q2 last year, and 23% over the first six months. However, our unit cost of production can vary significantly from quarter-to-quarter depending on production volumes. In the third quarter, we expect unit costs of production to be significantly higher than in the first two quarters due to the implementation of a mandatory summer vacation period followed by a planned maintenance shut down at our northern Saskatchewan operations.

Despite this fluctuation in production costs, we continue to expect the average unit cost of sales, including depreciation and amortization, to be between CA\$36 and CA\$38 per pound, a reduction of about 5% to 10% from 2016. Direct admin costs were down about 27% compared to Q2 of last year and are down 28% for the first six months.

On the operational front, performance has been solid and production is on track for the year. As noted earlier, we have implemented a six-week summer shutdown in northern Saskatchewan, so you can expect lower production and higher unit production costs in the third quarter. This is one of those changes I referred to earlier that can have a negative impact in the short term, but over the long term is beneficial.

## Other Updates

- *Bruce contract*
- *CRA tax dispute*
- *TEPCO contract dispute*

Beyond the financial and operational updates, there are a few other items I should touch on today. During the second quarter, we announced a 10-year extension of our exclusive fuel supply arrangement with Bruce Power. The deal is worth about \$2 billion in revenue through 2030, with price terms which further extend the protection under our contract portfolio. They are consistent with our contracting strategy, which is to maximize realized price while reducing volatility of future earnings and cash flow by including mechanisms to protect us when the market price declines, and allows us to benefit when prices go up.

With respect to the CRA case, we recently received the 2011 transfer pricing penalty of \$78 million. Although we disagree with this penalty, we were required to pay \$39 million in cash while the matter is in dispute. This payment will show up in our Q3 MD&A.

In terms of the trial, I'm happy to say that both sides finished presenting evidence earlier this month and final arguments are scheduled for September. The case will then be in the judge's hands and we expect to have a decision 6 to 18 months later.

On the TEPCO file, the period of good faith negotiations has ended and the arbitration process is underway. As with our previous arbitration case, which took about 30 months to resolve in our favour, we expect this could take some time. In both the CRA and TEPCO cases, we remain confident in our position and we expect favourable outcomes.



**Signposts of a Market Shift**  
Little change during second quarter

Cameco

Japan Restarts

Reactor construction

Supply performance

**Long-term Contracting**

Inventories

Sentiment

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Turning to the uranium market, I would note there has been little change to our outlook for the near to medium term. The market continues to be driven by sentiment. During the second quarter, geopolitics created some additional uncertainty. In South Korea, a new president was elected on a platform that included a plan to phase out nuclear power in that country, and in


France, the newly elected president indicated he will stick with the previous government's plan to reduce reliance on nuclear power; as usual it's not clear how these political promises will be implemented. These are long-term plans with timelines that will require the agreement and support of politicians yet-to-be-elected in the future. It's also difficult to imagine how these policies can be implemented without destabilizing electricity grids or abandoning commitments made under climate change initiatives.

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## Japan's Slow Return to Nuclear

Continued slow progress





<b>Reactors operating pre-Fukushima</b>	<b>54</b>	<b>Significant impact on the uranium market</b>
<b>Reactors currently advancing through restart process</b>	<b>21</b>	
<b>Reactors operating today, restart process completed</b>	<b>5</b>	

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Looking at the positive developments on the demand side, there is good news out of Japan where five reactors are now delivering clean power to the grid. Last week, a District Court denied an injunction seeking to block operation of Shikoku's Ikata 3 reactor. This spring, Kansai Electric successfully restarted Takahama units 3 and 4. Immediately following the restarts, Kansai announced a decrease in electricity rates made possible by lower fuel cost compared to thermal

power generation. Kansai also has regulatory approval to restart its OE units 3 and 4 and hopes to have all approvals necessary to restart the units later this year.

And Kyushu Electric has announced that it expects to restart its Genkai units 3 and 4 later this year. This would bring Japan's operating reactor total to nine, and build momentum for more restarts.



**Signposts of a Market Shift**  
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Japan Restarts

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Supply performance

Long-term Contracting

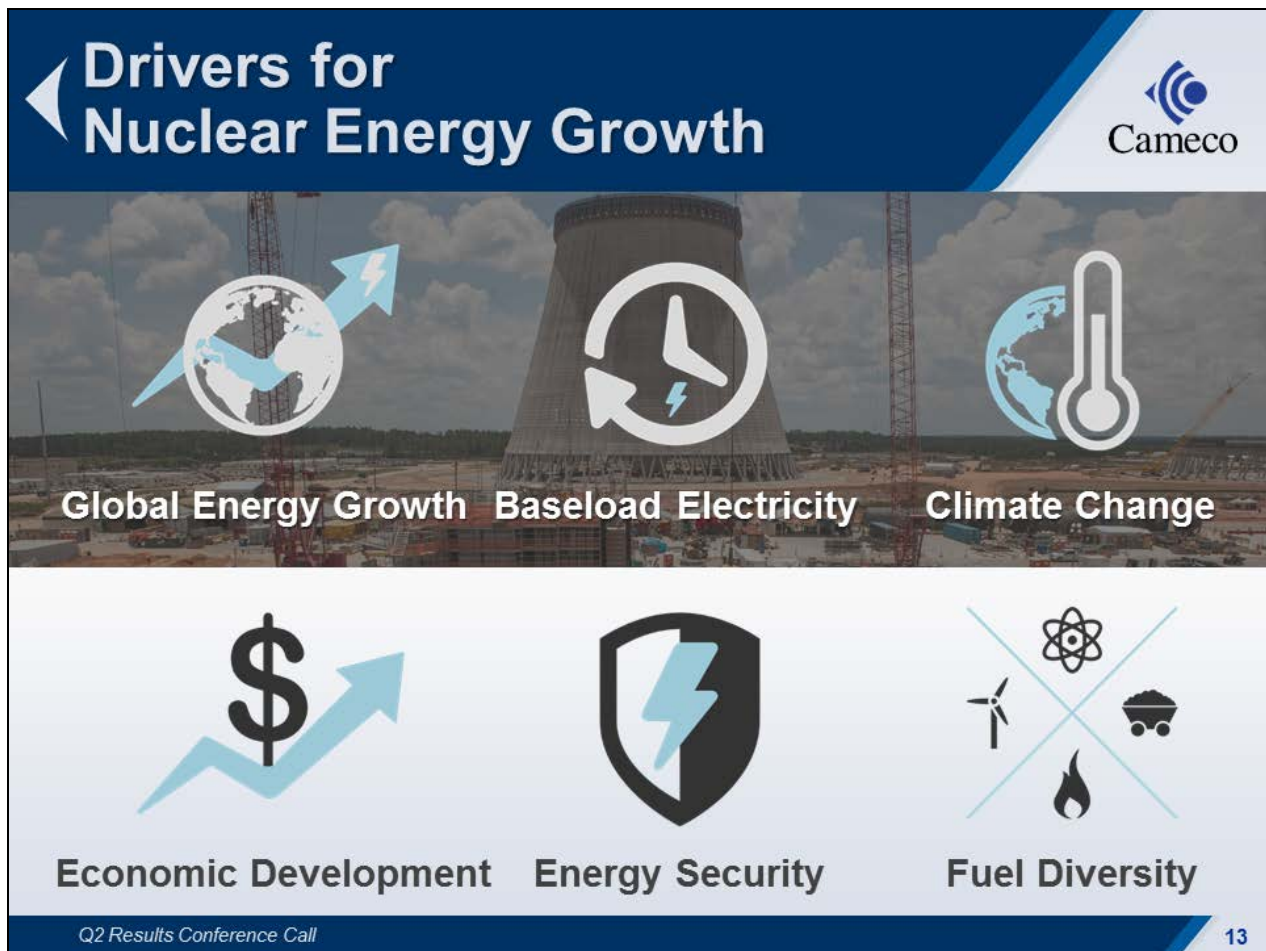
Inventories

Sentiment

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On the supply side, it's no secret that some uranium producers are experiencing serious financial difficulties and are struggling to recapitalize in order to survive. The impact of their financial difficulties from a supply point of view is not entirely clear, but it does demonstrate that supply is vulnerable in this market.



**Drivers for Nuclear Energy Growth**

Global Energy Growth    Baseload Electricity    Climate Change

Economic Development    Energy Security    Fuel Diversity

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With this mix of sentiment, it won't surprise you to hear me say that we continue to be cautiously optimistic and are focused on making the changes necessary to assure Cameco's long term success. Global population is on the rise and with the world's need for safe, clean, reliable baseload electricity, nuclear remains an important part of the mix. Today, the good news is that there are 57 reactors under construction, the majority of which could be online over the next three years if the start-ups occur as planned. Growth in reactor construction will translate to increased uranium consumption.

However, we operate in a business where progress is not measured in weeks or quarters but in years, and as I said earlier, that's how we manage our business - for the long term. So, while we are required to report quarterly, our decisions are driven by the goal of increasing long term shareholder value.



## Managing for the Long-Term

Focus on what we can control

- **Managing our tier-one production responsibly**
- **Maximize cash flow while maintaining our investment grade rating**
- **Manage risks like:**
  - Lower for longer market conditions
  - Litigation risk related to CRA and TEPCO disputes
  - Refinancing risks
- **Positioning the company for future growth**

For us, that means focusing on our strategy to produce from our Tier 1 assets, those that are lowest cost and provide us with the most value. Our financial objective is to maximize cash flow, while maintaining our investment grade rating so that we can self-manage risk; risks like a market that remains lower for longer, litigation risk related to our CRA and TEPCO disputes, and refinancing risk.

Ultimately, our goal is to remain competitive and position the company to maintain exposure to the rewards that will come from having uncommitted low-cost supply to deliver into a strengthening market. We can't control the timing of a market recovery, but we are taking actions on the things we can control like ensuring that we are as streamlined and as efficient as possible, responsibly managing our production inventory and purchases, protecting and extending the value of our contract portfolio, and maintaining our investment grade rating. All to ensure that we're ready when the market calls for more uranium.



So thanks again for joining us today, and with that, I'll turn it back over to the Operator.

A graphic for a Q&A session. The top left is a dark blue triangle with a white arrow pointing left and the text "Q&A". The top right is a light blue triangle with the Cameco logo and tagline "Cameco Energizing the World". The bottom right contains contact information for Investor Relations.

**Q&A**

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*Energizing* the World

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**OPERATOR:**

Thank you. We'll now begin the question-and-answer session. In the interest of time, we ask you to limit your questions to one with one supplemental. If you have additional questions, you're welcome to rejoin the queue. To join the question queue, you may press star, then one, on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speaker phone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

Webcast participants are welcome to click on the 'Submit Question' tab near the top of the webcast frame and type their question. The Cameco Investor Relations team will follow up with



you by email after the call. Once again, anyone who has a question may press star, then one at this time.

The first question is from Ralph Profiti of Eight Capital. Please go ahead.

**RALPH PROFITI:**

Hi everyone. Thanks for taking my question. Tim, I was just thinking how much of a positive to the CRA case the IRS decision is, and other than the amounts and years in dispute, can the main difference in the two cases still be considered one of governance?

**TIM GITZEL:**

(Inaudible 17:41)... knock down, and I think it confirms, from an IRS perspective, and let me say that our view that our structure and transfer pricing arrangements are appropriate, as we say. So that's as far as we can go on that. We're certainly pleased with the decision and just while I'm on the CRA piece, we're happy to see the evidence all in. I'm looking at Sean Quinn here—the evidence is in on that. We've got the final arguments the second week of September in Toronto and then that one's done and into the hands of the judge.

**SEAN QUINN:**

Yes.

**TIM GITZEL:**

So, like I say Ralph, we're taking them one at a time. We're happy with this IRS decision; CRA to come.

**RALPH PROFITI:**

Okay. As a follow-up, if I may, your market update, Tim, talked about fully receiving 2016 primary and secondary production data, and I'm just wondering how much of a contributor was enricher underfeeding last year, and what's your outlook for that number in the near future? Increase, decrease or remain the same?



**TIM GITZEL:**

Yeah. I'm not sure we have a really precise numbers on that enricher underfeeding piece. We know URENCO is doing it. We know the Russian's are doing it. I assume AREVA is probably doing it as well, just because the enrichment market is as bad or worse than the uranium market and they like to keep those centrifuges spinning. So, you know, I don't know, if you said in the range of 15 million pounds, something like that, we wouldn't blink at that. We think it's flat, for the moment, and hopefully as the market improves and the Japanese units start coming back on requiring enrichment again, that will start to go down and that's the way we see it.

**RALPH PROFITI:**

Okay, always helpful. Thank you very much.

**TIM GITZEL:**

Thank you, Ralph.

**OPERATOR:**

The next question is from Orest Wowkodaw of Scotia Bank. Please go ahead.

**OREST WOWKODAW:**

Hi. Good morning. Unfortunately, there was some telephone difficulties, Tim, in terms of your last answer to Ralph's question, and just expanding from that, can you walk us through kind of in layman's terms how the IRS case is similar and different than the CRA case?

**TIM GITZEL:**

Well, I'm not going to get too much into it. Maybe I'll just get Sean to say a few words about that. We're very cautious on this. Obviously, this is an IRS decision; we're happy about it. We were looking at some fairly significant exposure there and ended up paying US\$122,000 to settle it. Sean, I'll see how far you want to go with this because we're very cautious on this.

**SEAN QUINN:**

Yes, I think if you looking in our MD&A, we have a little bit of commentary on what the IRS was looking at. They're obviously focused on the U.S. implications of how we sell uranium. The CRA



is looking at it from a Canadian perspective and that's really about as far as we can go in this forum.

**TIM GITZEL:**

So Orest, I would just say, if you missed it, I think what we say is that for the decision from the IRS confirms from the IRS perspective our view that our structure and our transfer pricing arrangements are appropriate, and so that's where we're at with this one.

**OREST WOWKODAW:**

Okay. Thank you. Then just as a follow-up, you mentioned earlier in terms of some of the demand changes out there with respect to, or potentially with respect to South Korea and France. Can you give us a sense of how exposed you would be to those markets based on your current contract book?

**TIM GITZEL:**

It's not something that worries us in the near term. We do obviously have sales into Korea and France both. No change in the near term as far as that goes. They're talking long term. Governments are going to change, once, if not more than that, while this goes on. So, really, we're not looking with respect to our contract portfolio and to the length of time it runs out, any effect on our book at all.

**OREST WOWKODAW:**

I see. Thank you very much.

**TIM GITZEL:**

Thank you.

**OPERATOR:**

The next question is from Andrew Wong with RBC Capital Markets. Please go ahead.

**ANDREW WONG:**

Hi. Thanks for having me on the call. It looks like when I was looking through the MD&A, the contracted volumes increased for the quarter, but there wasn't really a much change in the price



sensitivity table. Does that mean that volumes are contracted at similar terms to your existing contracts? I mean what does that tell us about the contract market? Does it tell us that utilities are interested even with your current terms?

**TIM GITZEL:**

Hi, Andrew. It's Tim. I'm going to pass it over to Grant to respond to that one.

**GRANT ISAAC:**

Andrew, thanks for the question. We've been very disciplined on the type of business that we're willing to write in this market. You've heard us say that there are a number of factors that go in it.

The number one, of course, being we think that these are unsustainably low prices, so we're not really interested in locking in today's prices out on the forward curve. We've been looking for business that gives us market-related exposure, business that is consistent with our regional diversification, business that is consistent with our view on top customers and the Bruce Power contract would be a perfectly good example of that. But I think your general comment that it is reflective of the type of deals already in our portfolio, that's true. And we've taken a pass on ones that are not reflective, were not consistent with that portfolio strategy. We have opportunities occasionally with some of the utilities who want us in their portfolio and they're willing to do some business on those terms; others, we simply have walked on, either pursued to be responsive but not with an effort to chase down the market, or simply not responded.

So we continue to be disciplined in this market and we can be because of our existing contract portfolio.

**ANDREW WONG:**

Okay. That's helpful. Maybe just highlight a little bit why would a utility be interested in locking in terms that looks like it's higher than where the market would be, and how come we don't see it on the benchmarks?

**GRANT ISAAC:**

Well, the utilities will have a set of factors that are driving them as well, so they will want a diversified portfolio, they'll want reliable supplies, sovereign safe supply, as well as price



sensitive supplies. So occasionally, those two lines cross and the interests of a primary producer in this market will intersect with the interest of a fuel buyer. When you find those moments, we'll have opportunities to layer-in business. That happens occasionally, maybe you have a fuel buyer who views their portfolio overweighted to sources other than maybe Canadian supply for example, that might be a good opportunity for us.

Not all the business is through RFPs that are put out in the market. Some are extensions of existing contracts and so that's not hitting the benchmark directly, or hitting it afterwards and so there is just a bit of a price reporting issue. It is a fact that we're in an industry that it doesn't have a truly discovered price. We have neither the volume or the frequency so we have a reported price, and there is a bit of a lag and a bit of methodology for coming up with those numbers.

We just look at what's required for us to part with our uranium out into the future. I listed those factors earlier and occasionally we find utilities that want the safety and security of our supply, and they're willing to agree to those terms.

**ANDREW WONG:**

That's great. Thank you very much.

**TIM GITZEL:**

Thanks, Andrew.

**OPERATOR:**

The next question is from Fai Lee with Odlum Brown. Please go ahead.

**FAI LEE:**

Hi, thanks. Tim, I was just wondering if you could just remind us where you are on the TEPCO dispute process, and what are the next steps? I guess I'm just more wondering about the timing and when you actually go to binding arbitration?



**TIM GITZEL:**

Fai, thanks. We went through the good faith discussions, negotiations and it didn't result in any conclusions there. So, we are off to arbitration now. The parties need to pick their arbitrators, and then a third one has to be picked, and then it moves from there. We're firmly into the arbitration process and expect it's going to run out probably for—it could run out for a couple of years if our last foray into this area is indication.

**FAI LEE:**

Okay. Regarding the CRA dispute, you've outlined the court process, going to trial and your timing around expected decision, but is it possible that you could come to an out-of-court settlement like you did with the IRS, or just right now given the procedure, the CRA, you just have to go through this process with the court.

**TIM GITZEL:**

Fai, it's possible at any time to come to a settlement. Right now, we're in, as I say, the final throes of the court case, and the lawyers are going to make their final arguments in mid-September, and then we'll wait for a decision from the judge, but that is a possibility at any time.

**FAI LEE:**

Okay. Thank you.

**TIM GITZEL:**

Thank you.

**OPERATOR:**

The next question is from Chelsea Laskowski of MBC Radio. Please go ahead.

**CHELSEA LASKOWSKI:**

Hi, there. You can hear me all right, I assume.

**TIM GITZEL:**

Yes, I can you hear you, Chelsea, no problem.





**CHELSEA LASKOWSKI:**

Okay, perfect. I wanted to touch on the summer shutdown that's taking place at McArthur. I know it is one of the—it is the biggest operation. So far is there anything that the company feels it's learned from having such a large scale shutdown at such an important operation?

**TIM GITZEL:**

Well, Chelsea, I would have to say it's gone exceptionally well for us. It's something we haven't tried recently, and we go into things like that a bit tentative because there is a lot of organization that has going to it. It's gone quite well. Now we'll see, we – there often will be, starting up, again in the fall, we'll see how that goes. We hope it will go very smoothly. We've got the vacation shutdown for one month and then there is a maintenance shutdown for about two weeks. Right now it's going very smoothly, and hopefully we can come out of it at the end of the summer just as smoothly.

**CHELSEA LASKOWSKI:**

Is there anything that you would improve in the future, just from what you've seen so far?

**TIM GITZEL:**

Not that I can think of. I'm looking at Brian Reilly, but it's gone very well. I was just up there last week. Very quiet on the site. We've got a skeleton crew, as we call it, just looking after things. The weather has been very good up there and so we're hoping people get some good vacation and good rest. They're working hard because we're going to need them to work hard when they come back in August.

**CHELSEA LASKOWSKI:**

Perfect. Thanks.

**TIM GITZEL:**

Thank you.

**OPERATOR:**

The next question is from Jim Ostroff of Platts. Please go ahead.



**JIM OSTROFF:**

Hi Tim. Jim Ostroff here. Two very quick things. When did McArthur shut? The other is—I should say you previously had mentioned that Cameco was seeking buyers for the U.S. properties. Is there anything more you can provide about that?

**TIM GITZEL:**

So, Jim the mines—and it's both Key Lake and McArthur that went down. It was around the first of July. We kind of picked the month of July as the vacation shutdown. It might not have been that day, dependent on when people's shifts ended, so that's when it was.

With respect to the U.S. assets, I don't have anything new to report on that. We were looking at whether there was any interest out there. We've had some, but nothing new to report on that Jim.

**JIM OSTROFF:**

Just very quickly with respect to Key Lake and McArthur. If all goes as planned, you expect them to begin to resume operation about when?

**TIM GITZEL:**

Probably mid-August. We've got about four-week vacation shutdown period.

Then there is a maintenance shutdown as well where they do the maintenance. So I think at Key Lake, if I remember correctly, Key Lake is August 24th, and McArthur is a few days—about August 14th, a few days earlier, so that's when we're expecting that to happen.

**JIM OSTROFF:**

Thank you very much.

**TIM GITZEL:**

Thanks, Jim.



**OPERATOR:**

Once again, if anyone has a question, they may press star, then one, to join the question queue. The next question comes from Andrew Wong with RBC Capital Markets. Please go ahead.

**ANDREW WONG:**

Hey, guys, I just had a follow-up. Actually around the CapEx, could you provide a little bit more details on the lower CapEx guidance for the year, and how does that effect the guidance that you guys have out there for future years? Thanks.

**TIM GITZEL:**

Hi Andrew, it's Tim. I think we're down by about \$20 million for this year. Now, I'd have to look over to Grant or Brian. I think it's just that we looked at our CapEx numbers and—Brian do you have the details? Go ahead.

**Brian Reilly:**

So the actual from 2016 was \$217 million. We reduced that in the 2017 plan to \$190 million, and after further review over the past six months, we're projecting \$175 million. So that's just a reflection of our team looking at all costs across the organization and we think we can continue to run the business with capital expenditures of \$175 million.

**ANDREW WONG:**

Okay. Because I think—from what I recall looking at other, like the Annual Reports and stuff like that, I think next year and the year after CapEx is around \$200 million to \$250 million. Does that mean like maybe there's room towards the downside for that spending, or does that affect 2018/2019 in anyway, or maybe you have to catch up? I don't know, sorry.

**TIM GITZEL:**

I could tell you Andrew, we're always looking at—as you see, we trotted out some of the reductions, the cost of sales production, admin, CapEx, everything is on the table. Now I was just looking at for this year I think we reduced—for 2017, McArthur is down \$5 million, Cigar is down \$10 million. That gives you most of those numbers. Going forward, is there potential? We'll certainly be looking for it. We're looking at all of our CapEx to see whether we can stretch it out, defer, or preferably not spend. We'll be looking hard at CapEx going forward.



**ANDREW WONG:**

Okay. Great. Thank you.

**TIM GITZEL:**

Thank you.

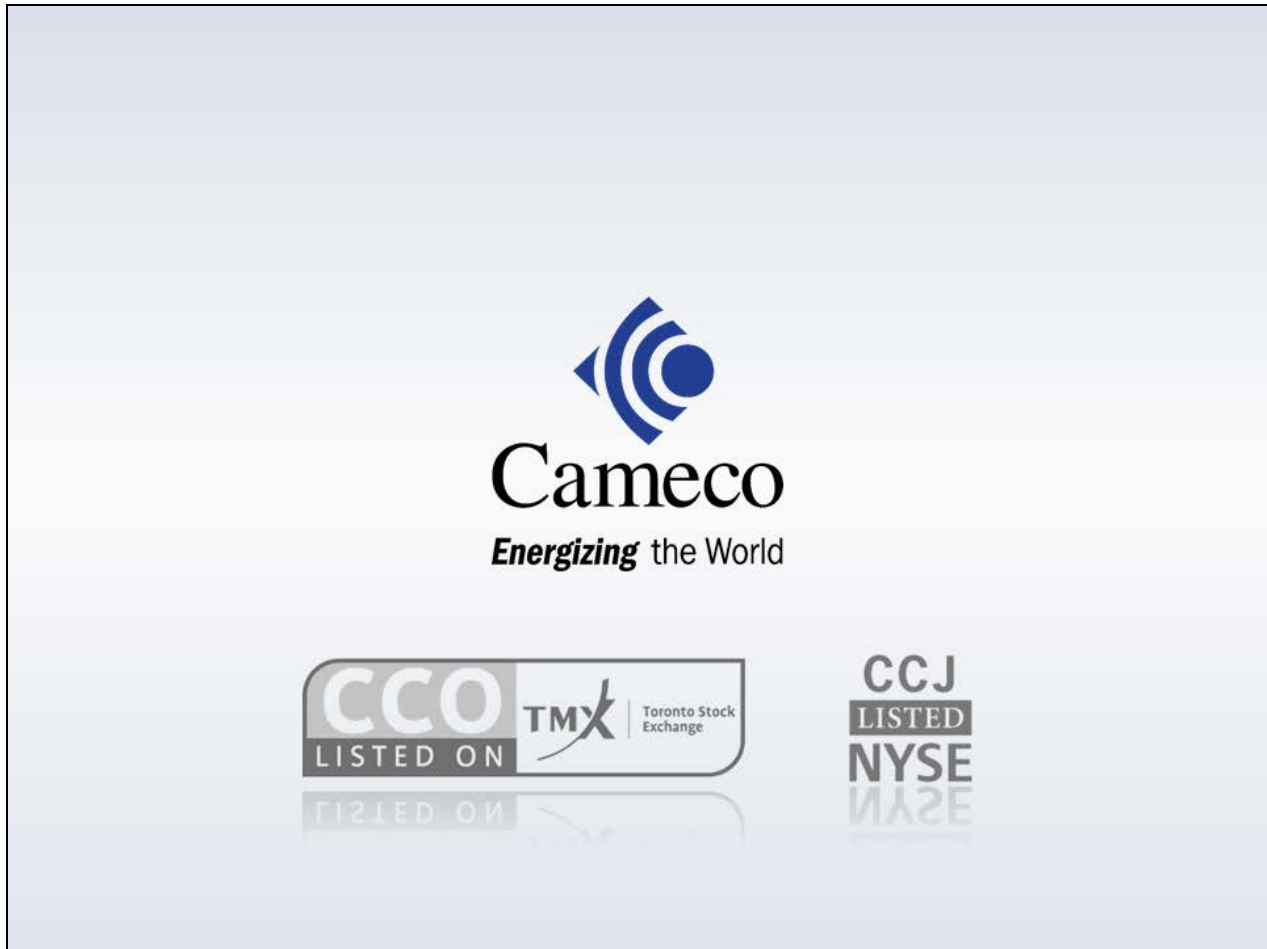
**OPERATOR:**

This concludes today's question-and-answer session. I would now like to turn the conference back over to the presenters for closing remarks.

**TIM GITZEL:**

Thank you very much, Operator. With that, I just want to say thanks to everybody who was on the call today. We appreciate your interest and support. Just to let you know, we are working through this tough market, and it's tough. We are just trying to position the Company to benefit from a future when we know additional uranium is going to be required.

Thanks for joining us today. Have a nice day and have a great summer. Thanks.



**OPERATOR:**

This concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.