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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Cameco Corporation Third Quarter Results Conference Call. I would now like to turn the meeting over to Ms. Rachelle Girard, Director of Investor Relations. Please go ahead, Ms. Girard.

Rachelle Girard, Director, Investor Relations

Thank you, Wayne, and good afternoon, everyone. Thanks for joining us. Welcome to Cameco's third quarter conference call to discuss the financial results.

With us on the call today are Tim Gitzel, our President and CEO; Grant Isaac, Senior Vice-President and Chief Financial Officer; Bob Steane, Senior Vice-President and Chief Operating Officer; Alice Wong, Senior Vice-President and Chief Corporate Officer; and Sean Quinn, Senior Vice-President, Chief Legal Officer and Corporate Secretary. Tim will begin with comments on our results and the industry followed by Grant, who will discuss in more detail the financial results for the quarter and first nine months. 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.

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.

Please note that this conference call will include forward-looking information which is based on a number of assumptions and that 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, President & Chief Executive Officer

Thank you, Rachelle, and welcome to everyone on the call today. I will start today with some brief remarks, then

I'm going to turn it over to our Chief Financial Officer, Grant Isaac, for some additional details on our financial results. After that we'd of course be happy to take your questions.

These are not easy days in the uranium business yet at Cameco we remain optimistic. We see growth in reactor construction and consequently uranium consumption, and this growth results in the important fact that over 500 million pounds of uranium has not yet been purchased for reactor requirements over the next ten years. We know that this demand at some point has to come to the market and we know that some of this demand is coming to Cameco as utilities pursue safe, reliable supply from long-lived tier-one uranium assets. We believe no other producer is better placed to see this demand than Cameco. However, this demand has not emerged yet. As a result, current uranium market conditions are some of the most challenging we have ever faced. Prices, both spot and term, have fallen to levels that are neither rational nor sustainable. And we believe that these prices are failing to incent the investment decisions required to ensure reliable supplies available to meet the 500 million pounds of requirements over the next ten years.

The weak current market as we see it is due to an adverse combination of two things: On the demand side, a buyers' strike; on the supply side, sellers' panic. The buyer strike is driven by two main factors. First, utilities continue to have a price off bias. They see an over-supplied spot market putting downward pressure on the spot price. Ultimately, they want this to drag the term price lower as well. Second, fuel buyers are part of significant cost-cutting programs among major utilities, programs that translate into restrictions upon tying up financial capacity in long-term purchase agreements. On the supply side since Fukushima we've seen motivated spot market sellers, including primary producers, enrichers, and some traders, and recently we've seen some traders and intermediaries who have taken long positions in uranium unwinding their positions as prices have gone lower. The volumes aren't large and these actions are not driven by the fundamentals of the industry but by panicked reactions to a uranium price that has continued to fall for longer than anyone expected. The results for now are uranium prices at levels we haven't seen in more than a decade. Today the spot price sits below $19, which is almost a 50 percent decline this year alone, and this spot price fall has pulled the term price down to the mid-$30s. And since Fukushima the spot price for uranium is now down over 70 percent and the term price is down 45 percent.

You can think of the current market dynamic as this: we have today an oversupplied spot market satisfying modest near-term uranium demand and effectively allowing utilities to defer and delay term contracting until there's more clarity on important demand questions like the pace of Japanese restarts and the pace of reactor construction programs. And I think it's important to stress that the spot market is not a fundamentals-driven market. It is not where utilities acquire their run-rate material. Instead, the spot market is typically used for discretionary purchases only and is very thinly traded moving on very small volumes. Moreover, Cameco is not a spot market seller. We do not sell our tier one production into the spot market, preferring instead to sell it into our contract portfolio. Looking ahead, obviously a turnaround in the uranium market requires the return of significant long-term contracting. But this will only occur once the oversupply in the spot market is reduced, which requires either supply discipline from those who continue to sell into that market or good news on the demand front such as a clear pathway to the restart of the Japanese reactor fleet.

While we are optimistic that demand must return to the market, I assure you we are not being complacent. We have taken and we will continue to take action to remain competitive in today's market and position the company to benefit when the market improves. We have refocused our strategy away from definite production growth and towards flexible production that can respond to market conditions. And we have focused on our tier-one assets, those that are the lowest cost and provide us with the most value. In focusing on these assets we have also demonstrated supply discipline by curtailing production in an oversupplied market and pulling back pounds from our highest cost operations at Rabbit Lake and in the U.S. and reducing production from our McArthur/Key Lake operations. These decisions, as you will know, did not remove pounds from the spot market, as all of our primary production is sold into our contract portfolio. The strength of our tier-one strategy gives us the ability to make these changes to remain competitive in today's challenging market. And that same strategy is what will allow us to benefit when market conditions improve, providing a strong basis for future growth.

But production management is not the only area where we've taken action. We've also fought to protect the value of our contract portfolio and, where possible, extend the value of that portfolio. That's why today our average realized price continues to outperform market prices. We've always said that one of the benefits of our contracting strategy is that it gives us a good measure of protection when the market is low and we continue to see the truth of that. So we've looked at our production, we've looked at our contracts, and we have really looked at every nook and cranny of the business to see where we could find efficiencies, streamline, and be leaner. Added up, the results of our actions have, in my opinion, been strong. Over the last five years we've pulled our cash production costs back to 2011 levels. We've reduced our CapEx by about 50 percent and we've reduced our exploration spend by about 50 percent while at the same time bringing on the world's second-largest tier-one uranium mine, Cigar Lake.

We've also performed well on our other measures of success, which include a safe, healthy, and rewarding workplace, clean environment, and supportive communities. And we have maintained our investment-grade rating and been consistent in delivering on our annual sales guidance. These areas, along with our G&A costs, are where we continue to focus our efforts to right-size the company in the current market environment. Ultimately we are staying competitive and have positioned the company for price and operating leverage and I think that shows in our results. As is often the case for us, the second half of the year is when most of our deliveries occur and this year is no different. As a result, in the third quarter we had stronger results from our uranium segment, which had a positive effect on our net earnings. Net earnings were also positively affected by two contract cancellations. Grant will talk more about these in a moment but I want to emphasize that we do not view the cancellations as a negative development or a trend. We saw an opportunity to take contracts with uncertain future value and convert them to certain present value and, at the same time, improve our near-term cash flow and earnings profile. It's really part of our strategy to optimize the value of our contract portfolio.

You may have noticed that our administrative costs are higher than this time last year and I want to explain that. This is as a result of costs required to implement the broader cost saving strategies that we are putting into place. We expect these actions to have a positive effect on our administrative costs over time as the one-time charges roll off. At our operations, we see continued strong results both in terms of safety, production, and protection of the environment, so in our opinion we are weathering the current market and are well positioned for a future with strong fundamentals. So, with that, I'm going to turn it over to Grant. Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thank you.

As Tim mentioned, market activity was light and uranium prices continued to face downward pressure; however, despite the market price pressure our adjusted net earnings in the quarter were up 51 percent over 2015, driven largely by our uranium segment, which is our core. And we are on track to deliver on our outlook for the year.

With respect to sales, as we have guided, the pattern of our deliveries under long-term contracts is more heavily weighted to the second half of the year. We delivered 9 million pounds in the third quarter and have obligations to deliver between 10 million and 12 million pounds in the fourth quarter. This is not material that we have yet to sell. It is material we already have under contract and material that we will deliver in accordance with contracts. This pattern is not unusual for us. Our uranium deliveries have followed a similar pattern for at least the last five years. Why is this the case? As Tim mentioned, since Fukushima we have seen a strong price off bias among our customers, which translates into a preference to defer their market-related contracts to later in a given year in order to take advantage of falling prices that they perceive to occur.

Each year in our Q4 report we provide guidance as to how we think deliveries will be distributed during the upcoming year, but keep in mind two things. First, this guidance is based on customer requests, which we don't necessarily have at the beginning of each year and, second, deliveries can, on occasion, slip over a quarter or even over a year end. We update this guidance in each of our quarterly MD&As based on deliveries made and customer requests to that point in time. The key point here is that simply taking our annual contract sales guidance and dividing by four to arrive at quarterly estimates for sales will not work and, as we have seen this year, can result in unnecessary alarm. Instead, if you follow our disclosure we will provide guidance on how we expect the deliveries to be distributed quarterly.

Looking at our average realized price, while some of the market-related contracts we delivered into during the quarter were affected by the weaker uranium market prices, overall our contract portfolio continued to provide good protection for us, delivering an average realized price in U.S. dollar terms almost 45 percent higher than the average spot price in the quarter. And while we're talking about our contract portfolio I want to spend a moment discussing the contract settlement. We disclosed the contract settlement as a subsequent event last quarter and it raised some concern, which surprised us, because for us it speaks to the strength of our contract portfolio and the value we can expect to extract from it. However, we acknowledge that we should have provided more information to help you see it from our view, especially since we reported another smaller contract cancellation that arose in Q3.

Today under our contract portfolio many of our customers are paying higher than market prices for our products, which, given their own cost pressures, they are not particularly happy about. Some of them have come to us looking for relief under their contracts. But they also understand the strength of our contracts following the successful arbitration process we went through in 2014. When we consider a contract cancellation it is driven by our uncertainty about the long-term uranium demand of that customer and their long-term value to our contract portfolio. This uncertainty can be caused by several factors, including policy changes in an operating jurisdiction unsupportive of continued nuclear operation or it can be driven by economic uncertainties resulting from competition with cheaper sources of energy, with subsidized renewables, or resulting from higher regulatory costs. We view these circumstances as an opportunity to convert uncertain future value into certain present value and thereby improve our near-term cash flow and earnings profile without jeopardizing our long-term growth prospects.

In other cases, where our customer's future uranium needs are more certain, we are willing to entertain a conversation that offers some relief in the near term in exchange for an extension to the existing terms of their agreement, thereby extending the protection under our contract portfolio. So we want to provide some reassurance that despite the weak markets we are confident in our ability to extract the value under our contract portfolio and this has been tested and proven to be true. From a reporting perspective, we did not adjust out the contract settlements because, quite frankly, they are not accidental. They are not an extraordinary event. Negotiating strong contracts has been and will continue to be part of our strategy. And in accordance with SEC guidelines we do not adjust out items that impact cash. The conversion of uncertain future value into certain present value simply changes the timing of when we receive payment from the customer. Moreover, these cancellations have had no discernible impact upon our contract portfolio as they have not provoked a change in our guidance for our price sensitivity table.

Turning now to our cost, we saw a 7 percent decrease in cash production cost this quarter compared to last year and for the year they are down 23 percent. The improvement can be attributed to our strategy to focus on our lowest cost operation, which saw us curtail production at our higher cost operations in the second quarter. And of course the continued progress of Cigar Lake is again a significant contributor to the reduction. However, the reduction in production cost will not be readily distinguishable in our results this year as our decision to curtail production at Rabbit Lake and at our U.S. operations does carry with it some costs, which get expensed directly to the cost of sales. We had to charge about $20 million in care and maintenance and severance cost directly to cost of sales in the quarter and almost $59 million in total to the end of the third quarter. And, again, in accordance with SEC guidelines, we do not adjust these items out because they do impact cash. So once we work our way through these restructuring activities the stability of our core business will be more apparent. Our focus on our tier-one assets will see us producing from our lowest-cost, best-margin assets, and our contract portfolio, which will see us deliver an average of 27 million pounds per year to the end of 2020, will continue to provide price protection in a weak market and allow us to benefit when prices rise.

I want to touch quickly on NUKEM. NUKEM's business should be thought of as opportunistic and in support of our long-term contract portfolio, no different than what we did in our uranium segment prior to acquiring NUKEM but they have enhanced the breadth and depth of our market reach. Like our uranium segment, NUKEM sales are affected by the same variability and customer requirements. In addition, the ongoing weakness in the uranium market has meant fewer profitable opportunities available to NUKEM and in some cases we have required them not to participate in opportunities that make more sense for our contract portfolio. As a result, NUKEM's revenue and gross profit to the end of September are lower than a year ago, reflective of the weaker market and the fewer opportunities we see in 2016. This has led us to reduce our revenue guidance in that segment for the year. If we look at NUKEM's gross margin, cost of product sold is up for a couple of reasons. As we sell inventory acquired when we purchased NUKEM in 2012 we have to allocate a portion of the premium we paid to acquire those pounds to cost of sales. There's no cash impact from this but it does impact the reported margin in the quarter. The other item affecting cost of sales was the write-down of NUKEM's inventory, simply the result of the weakening uranium price. We don't adjust for these items because as a trading segment NUKEM is subject to these adjustments as price changes and, as such, these are not considered to be one-time items in accordance with SEC guidelines.

The final item I want to cover falls under the "other" category. Admin costs were down for the quarter but up for the nine-month period for several reasons. First, as Tim noted, we have taken steps to reduce our costs that will benefit our performance over time, but those strategic decisions come with up-front costs. For example, restructuring charges that are impacting our 2016 results. Second, in 2016 we signed a collaboration agreement which builds upon longstanding successful partnerships in the development and operation of our assets with the aboriginal communities closest to our operations. This is a prudent strategic collaboration that underpins our tier-one strategy. And third, defending our position in our dispute with the Canada Revenue Agency has also increased our administration cost significantly in 2016. At high level, the financial objective of our strategy during this period of low term demand is to maximize cash flow while maintaining our investment-grade rating so we have the tools to self-manage risks. Risks like a market that remains low for longer, tax litigation risk, and refinancing risks. Therefore, we will continue to evaluate all opportunities for further cost savings to ensure we preserve and build value for our shareholders.

And finally, before we turn it over to questions I'll quickly touch on our CRA case. The trial has now begun with opening statements and first witnesses called in October. There are a number of scheduled court dates over the next several months where additional witnesses will be called and testimony heard. We now expect final arguments to be in the second half of 2017. Our view of the case has not changed. We continue to be confident that we will be successful. We are often asked how would we manage an adverse decision in this court dispute. It is important to note that such a decision would only pertain to 2003, 2005, and 2006, as these are the years currently before the courts, which effectively means that any amounts immediately owning would only pertain to those years and those amounts are modest and could be covered by the cash we currently have sitting with the CRA. In other words, there is no scenario where the ruling would result in us having to immediately pay the $1.5 billion to $1.7 billion cash impact that we have voluntarily disclosed because this amount includes years not before the courts and includes years that are not even reassessed at the moment.

And with that I'll turn it back to Tim.

Tim Gitzel, President & Chief Executive Officer

Thanks very much, Grant. Operator, Wayne, with that we are delighted to take questions.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from investors, analysts, and media. In order to respect everyone's time on the call today, we will take your question and allow one follow-up question. Then, if you have further questions, please return to the queue and we'll get to them after others have had their chance. If you have a question, please press star one on your telephone keypad. If you are using a speakerphone, please lift the handset and then press star one. To cancel your question, please press the pound key. Please press star one at this time if you have a question. There will be a brief pause while participants register for their questions. Thank you for your patience. Our first question is from Orest Wowkodaw from Scotiabank. Please go ahead.

Orest Wowkodaw, Scotiabank

Hi. Good morning. A couple of questions. First one, I appreciate your highlighting that you are focused on maintaining your investment-grade rating. I'm just curious if you could share with us what you believe the criteria is to maintain that rating.

Tim Gitzel, President & Chief Executive Officer

Thanks, Orest. It's Tim. I'm going to ask Grant to answer that one.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, if we thought about it in really general terms, Orest, we currently sit at BBB+ with S&P. That's a comfortable two times net debt to EBITDA. That would be a metric you'd want to keep your eye on. I think if we were BBB flat you'd be looking at 2.5 times net debt to EBITDA, at BBB- 3 times net debt to EBITDA. But of course it's not just the metric alone that drives the ratings consideration; it's also what is the company's plan to return to the ideal capital structure or the strategic capital structure. We like our credit rating being at BBB+ and we do factor that in when we make capital allocation decisions.

Orest Wowkodaw, Scotiabank

Okay. And I mean given the low price environment we're in and your required fair rate payments, your free cash flow generation is fairly, I would characterize it as small in the current environment. is there any thought or at what point would the management and the board re-look at the divided? I mean that's costing you $160 million a year and I'm curious kind of where your head might be at in regards to maintaining a dividend that high. Thank you.

Tim Gitzel, President & Chief Executive Officer

Yeah, Orest, it's Tim. Obviously that's a piece that comes up at our board meetings and on the quarters. As Grant has explained I think several times, we see that as a commitment to our shareholders, our dividend, and to review that would require a fact change of some sort in our business, and today we don't have that. As I say, it's something the board looks at and right now there's no change on that.

Grant, do you have anything else to add to that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, probably the only elaboration is that what would we consider to be a fact change, ah, certainly the rollover that we've seen in the uranium market, well, are we there right now? It is a spot market effect. You see that it's not having a huge impact on our average realized price but it is something we're paying attention to, this market dynamic. Other fact changes that we've listed to the negative, you know, suppose for example a Japanese decision to say we're giving up. We're not going to try to restart these reactors. That would be a fact change for our industry. That would obviously trigger a review. A positive fact change would be something like suppose we had one of our joint venture partners in one of our tier-one assets say they're interested in selling. Well, that would be a positive fact change for us. So I just highlight those as examples of what we'd be looking for in order to trigger that kind of review, Orest.

Orest Wowkodaw, Scotiabank

But in regards to any potential shortfall between free cash flow and the dividend, are you prepared to, I guess, lean on your line of credit to fund any difference?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, as we look ahead, Orest, and we see a ripening of our tier-one strategy and the benefit of having that average unit cost of sales driven by production coming in from the tier-one assets, we've come off a purchasing program so we don't have, we'll lose the purchase cost coming into that analysis. We look at different scenarios, including low for longer, and we just, we continue to see cash flow generation to be supportive of our current dividend commitment, and so for us it's about watching for fact changes that would require a triggering review.

Orest Wowkodaw, Scotiabank

Okay. And then just final question for me: How much uranium do you still have left under your purchase commitments for the fourth quarter?

Tim Gitzel, President & Chief Executive Officer

Do you have that number, Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, for 2016 I think we have taken delivery of virtually all our purchase commitments for this year. I'll just have to—

Tim Gitzel, President & Chief Executive Officer

We're looking that up, Orest.

Grant Isaac, Senior Vice-President & Chief Financial Officer

I'll have to confirm that, Orest. So maybe I'll follow up with you off line on that one.

Tim Gitzel, President & Chief Executive Officer

Thanks, Orest.

Operator

Thank you. The following question is from Ralph Profiti from Credit Suisse. Please go ahead.

Ralph Profiti, Credit Suisse

Good afternoon. Thanks for taking my question. Just one from me. Tim and Grant, you've discussed very well the short-term relief to contract ten-year exchange and it seems like this is only with respect to timing. Have you been open to a change in the pricing mix to which these contracts are structured and could we see that going forward?

Tim Gitzel, President & Chief Executive Officer

Ralph, that's not something that we're looking at. We have contracts in place, as you know, probably several hundred all together, for deliveries over the next ten years and the two pieces we talked about this morning or this afternoon are unique and so that's not something that we are looking at at this point.

Ralph Profiti, Credit Suisse

Right. Okay, great. Okay, thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks, Ralph.

Operator

Thank you. The following question is from Greg Barnes from TD Securities. Please go ahead.

Greg Barnes, TD Securities

Thank you. Grant and Tim, I acknowledge that bringing the cash forward from these contract terminations is a good thing for you but I'm just wondering how you're interpreting this in terms of the condition of the overall market, because to me it suggests that the portfolio, the contract market is more challenging and obviously utilities are trying to get out of these contracts somehow.

Tim Gitzel, President & Chief Executive Officer

Greg, I don't know, there's no surprise behind these. These are, ah, the two that we're talking about are utilities that perhaps don't have a longer-term future and it won't be a surprise. They're reported every day as to who they are. So, as I say, there are a couple of one-offs. We're still excited about the future of the industry, for all of the reasons that we go back to all the time, the China, India, South Korea pieces. 37 reactors out of the 60 under construction are in Asia. So this is, you know, we were talking this morning about the good old days when the price of uranium was at $100 and some of our contracts were at much less than that, you'll recall those days, we would have liked to get out of those as well and we didn't. We stepped up to every one of them and delivered on them. So no surprise that, you know, utilities that have some higher-priced contracts are looking to perhaps renegotiate but that's not happening. We've seen two unique cases, we've seen another one that's gone to arbitration, and we've been successful in all of them. So we don't see any long-term trend. We're satisfied that we have a very strong portfolio that's going to really help this company over the next years as we work through this difficult market.

Greg Barnes, TD Securities

So the next question then is there are obviously a lot of reactors being built in Asia, Korea, Japan, well China, not Japan, obviously. Are they approaching you, some of these utilities, about putting in place long-term contracts and having those discussions with you? Because clearly they're going to need uranium. Or are they just delaying and hoping that the price continues to go down?

Tim Gitzel, President & Chief Executive Officer

You know, that is an absolute continuous process with us, Greg. We never stop talking to them, including the Japanese. We're heading over on a trip at the end of the week to Asia and we'll be talking to all of our customers. We're always looking at the future. I can tell you those, especially the Chinese, the Indians, I was in South Korea a few weeks ago, they're not thinking this year, next year, or two years from now. I mean their reactors are going to run for 60 years and some that haven't even been built yet and so they're looking farther into the future. So we're going through a rough patch, no question. Five and a half years now post Fukushima. It hasn't been easy but I think Cameco has come out of it all right. We're doing what we can in this tough market. We've got some portfolio protection. We're looking internally to do what we can. That hasn't been a lot of fun. I say that every call, because that is not fun, but we know we have to do it and we will. So we're talking to our customers, to your question, all the time. India especially, China especially, South Korea, and we're always looking to extend or enhance our relationship with them.

Greg Barnes, TD Securities

But they don't want to enter into long-term contracts to supply these new reactors yet.

Tim Gitzel, President & Chief Executive Officer

Oh, well I wouldn't say that. There are some utilities that are looking at longer term. A Korean utility right now is out for a long-term contract. So yeah, no, there are some real RFPs out there.

Greg Barnes, TD Securities

Okay.

Operator

Thank you. The following question is from David Wang from Morningstar. Please go ahead.

David Wang, Morningstar

Hi. Thank you for taking my question. I guess first is what would you think that we would need to see in the uranium markets for this downturn to sort of turn the other way? I mean has it been that, you know, Japanese restarts have been slower than everybody's expecting? You know, are there supply cuts from other producers? Are those some of the things that you're looking out for?

Tim Gitzel, President & Chief Executive Officer

Yeah, David, absolutely. You know, the first one, and we sound like a broken record on this one, but the Japanese situation where, had you asked us, me especially, three years ago, I'd have said there would be 12, 15, 16, 18 reactors on by now. There are two operating today. Now there's five approved, two in court, one down for a few months, and two operating, so clearly that process has taken much longer than anyone, including the Japanese utilities and their agents thought. So we're really watching and, as I said, we'll be heading over, just to see if there's a clear path forward in Japan. The government is saying the right things. They want 20 percent to 22 percent of their electricity supply to be from nuclear. That equates to over 30 plants by 2030. They'd actually have to build some more, I think, to get there. They've made big commitments, like many other countries, to the climate change. The COP21 piece, ah, utility rates are up 20 percent domestic, 30 percent industrial. So Japan, big piece, watching where that goes.

China continues to go. It's impressive. I think they have 34 or 35 now this week reactors operating, another 20 or so under construction, and we were over there not long ago, and a very aggressive build continues there. India is really coming to the fore now and we're over there a fair bit. Have an aggressive program planned. We'll see how they can deliver on that but they've certainly got an interesting approach where they've got the Russians and the French and the Americans all at different sites and planning to build at the same time.

So there's a lot of pieces there. I think the return to long-term contracting that we talked about in our opening comments, there is a backlog of pounds that need to be procured over the next ten years and the question is when the utilities are going to start coming back and will they be crowding through the door on that one. And I would just tell you, and I'm talking about supply here, supply has been a bit undisciplined. We haven't seen a whole lot come off in this period. But you can look forward as well, and Bob Steane is sitting beside me here, would tell you when are we going to start looking at new mines because if we're going to deliver these pounds out ten years from now we should be thinking about that, and we're not. We're not, we're not in this period at all, nor is anyone else thinking about that. So excess supply needs to clear the market, we need to see some improvement in Japan, China, India, South Korea, Asia has to keep going. Those are the milestones or the markers we're watching.

David Wang, Morningstar

Great. And then, you know, with uranium prices so low a lot of junior miners and other miners in the industry have been hit pretty hard with their valuations down. Do you see this as an opportunity to scoop up a nice low-cost asset at sort of trough valuations if you're expecting any uranium price rebound in the future?

Tim Gitzel, President & Chief Executive Officer

Not really. We're happy with the portfolio we have. We'd love to get some of our assets that are a bit more advanced in the pipeline and in progress and I'm looking at Bob especially, we've got a couple nice ones. So we're not particularly interested or aggressive at all on any new projects.

David Wang, Morningstar

Okay, thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. The following question is from Jim Ostroff from Platts. Please go ahead.

Jim Ostroff, Platts

Yes, hi there. And, Tim, wanted to ask here whether there's any consideration for further production constraints at existing facilities. Of course you had outlined some of these before but the question has to be asked as to whether you've even considered additional reductions constraints.

Tim Gitzel, President & Chief Executive Officer

Well, Jim, thanks for the question. We're still working through the moves that we made in 2016, Rabbit Lake. Those take some time to work through and you see the costs coming through now. We have to give several months' notice to regulators and employees and the like. So that's coming through.

The U.S., same thing. McArthur, we've pulled that back. We think we've been the leader in this regard quite frankly. And so do we have more room? We could. That's something we consider all the time. We call it flexibility, flexibility up, flexibility down, and so it's something that's always on our mind, Jim.

Jim Ostroff, Platts

Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. The following question is from Fai Lee from Odlum Brown. Please go ahead.

Fai Lee, Odlum Brown

Hi. It's Fai here. Tim, in the press release it mentions that you're going to continue to look for opportunities to enhance the value of the company for shareholders including strengthening the balance sheet. Is that primarily in reference to looking for cost savings that Grant referred to or are there other levers that you would possibly consider?

Tim Gitzel, President & Chief Executive Officer

Yeah, thanks, Fai, and we're going to get the operators your pronunciation, because we go through this every time, so we apologize for that. No, it's absolutely the cost cutting measures we're talking about, ah, leaning up the company, looking for ways to save on our CapEx, OpEx, G&A, and putting that to the balance sheet. So you're on the right track.

Fai Lee, Odlum Brown

Okay. And with the spot price, it seems to be sliding and it seems to be heading closer and closer to your cash cost of production. I'm just wondering are there any restrictions or any contemplation of possibly just saying, well, it's gotten so low, maybe we'll just buy the spot volumes instead of producing. And on the restriction side I was wondering if, given it's a similarly traded market if you do that I guess it could possibly have an impact on the spot price. I'm just wondering if there are any restrictions on that front.

Tim Gitzel, President & Chief Executive Officer

Yeah, I'm going to ask Grant to answer that, Fai.

Grant Isaac, Senior Vice-President & Chief Financial Officer

It's a great question but obviously there would be a number of factors we'd have to consider in solving the math for that one. I mean simply just having a spot price that hits the cash cost of production isn't enough, because if we curtailed the production, well, there'd be some cost to that, so it would have to be a delta to account for that. If not and there isn't a spot market response for us curtailing then we've disproportionately shifted the cost of cleaning up the market onto our owners and that doesn't seem like a very good idea. Right now our best value proposition is to produce from our tier-one assets and put that into our contract portfolio and then take all the measures that Tim's already described in order to weather this market and position ourselves for a demand shift that we think needs to occur.

Fai Lee, Odlum Brown

Okay. Thanks.

Tim Gitzel, President & Chief Executive Officer

Thanks, Fai.

Operator

Thank you. The following question is from Daniel Horner from Nuclear Intelligence. Please go ahead.

Daniel Horner, Nuclear Intelligence

Hi. Thanks for taking my question. First of all, earlier in the year there was some discussion of the possibility of selling the U.S. assets. Could you update us on the status of those assets and any developments either tending toward or against selling them? Thanks. I have a second question as well.

Tim Gitzel, President & Chief Executive Officer

Thanks, Daniel. We have nothing to report on that at this time.

Daniel Horner, Nuclear Intelligence

Okay. And the second question, with regard to the contract cancellation, you said these are one-offs, it's not a trend. So does that mean you're not anticipating any further contract cancellations or is there a possibility there will be other ones in the future? Can you give us a sense of the possibilities and the numbers we're talking about here?

Tim Gitzel, President & Chief Executive Officer

Thanks, Daniel. As I said, those were one-offs. We're not anticipating any at this time. It doesn't mean it couldn't rise in the future but right now we have our contract portfolio you see we're delivering into. I think we said we had 30 million to 32 million pounds to deliver this year. We're on track for that to have a healthy exercise in the fourth quarter to do that, but we're not anticipating anything at this time, Daniel.

Daniel Horner, Nuclear Intelligence

Okay, thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. Once again, please press star one if you have a question.

The following question is from Paul Luther from Bank of America Merrill Lynch. Please go ahead.

PT Luther, Bank of America Merrill Lynch

Hi, Tim and Grant. Thanks for taking my questions.

Tim Gitzel, President & Chief Executive Officer

Thank you.

PT Luther, Bank of America Merrill Lynch

Wonder if I could get a little bit more perspective from you on Japan, if you've seen any sort of recent change in tone there. Certainly we've read some news about some governor elections that have been more anti-nuclear this year that have happened. Do you think that could increase pressure on ability to restart or not? And then wondering if you've noticed, if you could give us an update maybe on, give a sense of inventory levels in Japan if they've been more stable over the past year.

Tim Gitzel, President & Chief Executive Officer

PT, thanks. You're about a week early with your question because I'm actually heading over there on Saturday, do the tour from south to north, meet with all the utilities and see where things are at. You know, it's mixed messaging coming out of there. We watch, ah, Sendai 1 and 2 up and running. I think one of them is down now for some maintenance but they plan to bring that back on even though there's one of the politicians asking them not to. They said he doesn't have any authority so they're going to bring it back on. Takahama, I think the units are in court. Lost at the two lowest levels, which they expected and actually were hoping for so they could get it to an appeal court and hopefully get a decision there, a positive decision, which would then apply more broadly, and I understand, I think I saw some notes, internal notes, the other day that that's in the first quarter of 2017 they're hoping for a decision on that. So watch for that on the Takahama, because that could be a bit of a harbinger of what's coming for some of the other units. I think Ikata is still up and running.

So slow progress. And we watch the news daily. We have our folks that are over there more often than I and meeting with utilities. I can tell you, and Grant was over there not long ago, so maybe, Grant, you want to say a few words about this and about the inventory levels, but clearly, and we've said this before, the behaviour is that this is a real rough patch in Japan but government policy is 20 percent to 22 percent. They're spending billions, billions, on getting these reactors up to the standards required by the nuclear regulatory agency. Our partner at Cigar is still Tepco. Japanese are still spending a lot of money exploring for uranium in Saskatchewan. We just had the Japanese Ambassador in our office last week wanting to do more business in Canada. So lot's of positive signs but the time is, ah, it's taking a lot of time.

Grant, maybe I'll pass it to you.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, the only thing I would add on the sentiment side is there seems to continue to be a real commitment to the nuclear power plants, but it's combined with really a lack of urgency. And maybe that lack of urgency is prudent. The Japanese are still dealing with a public confidence issue in the nuclear reactors and there seems to just be an understanding that it takes time to build up the social credence required to get those nuclear reactors up and running. So we see the commitment, we see it financially, we see it in terms of construction programs at reactor sites to get them ready for the new regulatory infrastructure. We do have this issue that Tim mentioned about local district courts having an ability on a precautionary principle basis to get injunctions in place. So that needs to be figured out, what is the true authority of the new regulator. But I would just say the commitment seems to be there but not coupled with certainly an urgency that I would like to see. But the path still seems to be there.

With respect to inventories, your question is a good one. When we peer through, to the best of our ability, the financial statements of our customers, it appears that there has been some stabilization in the inventory, so what we think is going on there is probably the rolling off of some of their term contracts. It's been five-and-a-half years post Fukushima, you know, they either took delivery or deferred, and we just think they're probably coming to an end with some of those decisions and that's being reflected in more of a stabilized inventory level. Now that's based upon value. So there could be an FX effect there, there's obviously a price effect in there, but there does appear to be some stability. In other words, there doesn't seem to be a rapid increase in the inventory overhang in Japan.

PT Luther, Bank of America Merrill Lynch

Okay, great. That's really helpful colour. Thank you for that. I was wondering if I could get a little more perspective as well on supply. You talked about in your remarks about how supply globally has been relatively sticky. Do you think that the spot price that's out there could encourage some of that higher cost supply to push to the sidelines or do you think a lot of them are still being protected by their own contracts and so it could continue to be sticky from here at least in the near term?

Tim Gitzel, President & Chief Executive Officer

A little bit of both, PT, probably. There would be some covered by some contracts. And some you see in the press that have some coverage, we do, but anybody that's kind of living off the spot market these days has got to be tough. I can tell you, you might be selling for cash to make payroll, but it's not sustainable over time, and for sure you're not getting a return on your investment. So we are, I have to say we are, I am at least, a bit surprised by how sticky the supply has been. But, that said, I say keep your eye on the supply side. We think we lead in bringing off some production. We would think there might be some in Australia and Africa that would, ah, at least in the near to medium term, near term be under some pressure but medium term not only under price pressure but running out of resources. So, yeah, that's going to be part of it going forward. Consumption has stayed pretty much the same and is growing over time. Supply has stayed pretty tight but I think you'll see it trailing off going forward.

PT Luther, Bank of America Merrill Lynch

Great. Thanks again for the colour. Appreciate the help.

Tim Gitzel, President & Chief Executive Officer

Yeah, thank you.

Operator

Thank you. The following question is from Edward Sterck from BMO Capital Markets. Please go ahead.

Edward Sterck, BMO Capital Markets

Hello, gentlemen. So I've got a couple of questions. The first, and I apologize, this may have been answered already, I had to jump off the call for a bit, but when we look at the credit rating, do all of the rating agencies include the letters of credit when they measure the sort of net debt metrics?

Tim Gitzel, President & Chief Executive Officer

Hi, Ed. I'll pass it to Grant.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, so we have two ratings, SMP and DBRS. There is some variation in what they include on the debt part. They don't quite credit it the same way but largely, yeah, it's considered as part of the debt profile and then looked at in combination with credit for cash on hand relative to your EBITDA.

Edward Sterck, BMO Capital Markets

Okay, thank you. And then my following question is just with regards to the continued decline in the spot price. Of course the biggest spot seller is Kazakhstan or Kazak production. It may be impolitic to answer this question but at what point do you think that they begin, the Kazak operations really begin to feel the pain and we should expect to see some kind of response from the (inaudible) supply side?

Tim Gitzel, President & Chief Executive Officer

Ed, I'll just say this in that regard, and I think you were there, I saw you, in September in London Mr. Zhumaghaliyev, who's in charge of Kazatomprom just talked about their production, their view of the market, and that they had planned to hold their production steady, and we thought that was an encouraging sign from the Kazaks. Of course a lot the new production over the last ten years now has come from Kazakhstan. They've done a wonderful job of raising their production profile. And people were wondering where it would stop. And I think that comment was helpful. And so, yeah, I can't go any further on your question as to what their plans are in the spot market but I thought those comments from Mr. Zhumaghaliyev were particularly helpful.

Edward Sterck, BMO Capital Markets

Okay. Very well. Thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thank you, Ed.

Operator

Thank you. The following question is from Richard Williamson, a private investor. Please go ahead.

Richard Williamson, Private Investor

Hello. I recently saw a news article that there were a number, actually they said 30 new reactors planned to be built in Saudi Arabia under contract with the Russians. Is that a real thing? Do you have any information on that?

Tim Gitzel, President & Chief Executive Officer

Hi, Richard, and thank you for the question. We appreciate it. I can tell you it's something we've watched very closely. That's not a new comment. They've been looking at that possibility for some time. I think it was even a few years ago 16 reactors by 2030. The link up with the Russians is a bit new, I would say. It seems to have a bit of momentum. The created an agency there. I think it's called KA-CARE. And I can't remember what that stands for other than it's a nuclear body that is in charge of looking at nuclear power. And it actually came up a few years ago, and I'll just take you on a little historical tour, when oil prices were probably about $100 plus a barrel, which they're not today, but they said, you know, and they use a significant amount of their production to generate electricity, they burn oil. And they said, well, we're leaving a lot of money on the table burning oil at $100 a barrel to generate electricity when there might be other methods. And so that's, I think, when they started looking at nuclear power. We've seen them from time to time in and out looking for information. So this latest piece with the Russians, I can't, I don't know how credible or sincere it is, but it looked like it might have some momentum, so we'll watch that closely going forward.

Richard Williamson, Private Investor

Terrific. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. The following question is from John Tumazos from John Tumazos Very Independent Research. Please go ahead.

John Tumazos, John Tumazos Very Independent Research

Thank you. My question is would you use cash to buy pounds of uranium in the spot market? The spot price is almost half of your nine months' total cost including amortization and it does seem a little odd that uranium has fallen so much this year when other energy minerals have rebounded in price and commodities in general have been rebounding.

Tim Gitzel, President & Chief Executive Officer

Thanks, John. I'll ask Grant to comment on that.

Grant Isaac, Senior Vice-President & Chief Financial Officer

On the first part of your question, you know, at the moment our view really is we're not the buyer of last resort in the market. The market is under pressure for all sorts of reasons. We have our contract portfolio that is protecting us, we've got a good supply from tier-one production, we've entered into some purchase commitments in the past that have come in through the door, and right now we just have kind of decided to step to the side of the market and let others take the decisions to clean it up. So we don't have plans to be the buyer of last resort in the market, as I say.

John Tumazos, John Tumazos Very Independent Research

Thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks, John.

Operator

Thank you. The following question is from Anang Majmudar from General American Investors. Please go ahead.

Anang Majmudar, General American Investors

Good afternoon. Thank you. I wanted to go back to the $20.1 million of care, maintenance, and severance expense in the quarter and I just wanted to try to finish the math on that. So that would be the equivalent of roughly $2 or so per pound of uranium sold in the quarter and if I were to think of it in terms of pounds produced in the quarter that would be something approaching $3.50 a pound, and so if that directionally is correct than that would suggest that the spread between the average price received by Cameco and the cost of production or the cost per unit sold is actually wider than it appears.

And then secondarily, would it be reasonable to suggest that there were still higher cost pounds that are being produced despite the curtailment of some of the tier-two assets and that possibly the care and maintenance expense might decline over time and that would further enhance the spread between price received and cost per pound as we all try to think about what the underlying cost structure of the company is. Thank you.

Tim Gitzel, President & Chief Executive Officer

Anang, I better let our CFO tackle that one.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. Thanks, Anang. I mean you're raising an excellent point and I probably should have been more deliberate. When I talk about the ripening of the tier-one strategy I'm talking about exactly what you're highlighting and that is we've made some decisions to take off higher cost pounds. We've told you, told folks that that's hitting our cost of sales, but when you do the math and figure it out it is taking away from the underlying performance of those core tier-one pounds. Now I don't adjust those out. I don't adjust those out because I stick pretty close to the SEC rules on adjustment. You just did it. I wouldn't quarrel with your math actually. And then I think that that's the appropriate way for people to think about how the tier-one strategy ripens over time. So I would just say thank you for making the adjustments that I'm not prepared to make. But it is the right way to look at how the company evolves over time because of this ripening tier-one strategy.

Anang Majmudar, General American Investors

Okay, thank you. And then would you be able to comment or be willing to comment on the second portion of that question, which was that as investors or analysis we should think about the pounds being produced to the extent that there's a percentage still coming from Rabbit Lake, for instance, that that would continue to decline. And same thing with respect to some of the care and maintenance costs over time.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. So certainly as—there are Rabbit Lake pounds still in our 2016 year-to-date numbers. Rabbit Lake was operating until the decision was taken to curtail.

With respect to the U.S., that's in-situ recovery mining so you don't just shut it off, so there's residual pounds coming. And of course as the volume falls the unit cost goes up, so that's not helpful as they flow into the overall inventory bucket or the single bucket that we calculated our cost of sales from. So we have to work through those over time but as we do that cost of sales will come down.

The other piece too in addition to the factors that you highlighted is also the purchase commitments. We have not been on an active purchasing program. Just to reference back to my last comment, we don't view ourselves as the buyer of last resort in the market. We haven't been on an active purchasing program for over a year now but we still have some purchase commitments that are working their way through and so as we take the tier-two production costs out and, quite frankly, the cash cost associated with purchased over time, you will see that reversion to tier-one costs and that is really what's at the heart of our core strategy focusing on tier-one assets.

Anang Majmudar, General American Investors

Terrific. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. The following question is from Fraser Phillips from RBC Capital Markets. Please go ahead.

Fraser Phillips, RBC Capital Markets

Hi. I just had one clarifying question. Tim, I think I heard you say you had a third contract or a contract or a discussion perhaps with a customer that's gone into arbitration.

Tim Gitzel, President & Chief Executive Officer

Fraser, that's an old one. That's a couple years old. So, yeah, that's gone and done. Yeah, that's that one we reported a couple years ago, Fraser, that—

Fraser Phillips, RBC Capital Markets

2014.

Tim Gitzel, President & Chief Executive Officer

Yep. Yep, that's the one, Fraser.

Fraser Phillips, RBC Capital Markets

Okay. Thank you, sir.

Tim Gitzel, President & Chief Executive Officer

Thanks. Have a good day, Fraser.

Operator

Thank you. The following question Tadeas Trojan from Powder Gate Capital. Please go ahead.

Tadeas Trojan, Powder Gate Capital

Hi, guys. Thanks very much for taking my question. I only had one question actually with regards to the Chinese project in Namibia. Can you tell a little bit more where is the project currently standing and talk a little bit more about the market dynamics and how would it affect your ability to win contracts in China if the mine is open? Thank you.

Tim Gitzel, President & Chief Executive Officer

Yeah, it's Tim, just to be clear, that's the Chinese that are building that project in connection with a small Namibian contribution, I think, nothing to do with us other than we're watching it closely to see what the progress is and I don't have the most recent update. I heard there was going to be production in Q4 this year. I haven't seen that happen or news of that yet. So we're watching it but don't have much more to report.

Tadeas Trojan, Powder Gate Capital

Okay, thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. The following question is from Orest Wowkodaw from Scotiabank. Please go ahead.

Mr. Wowkodaw, your line is now open. You may proceed.

Orest Wowkodaw, Scotiabank

Thank you and thanks for taking my follow up. Just following up on Greg's earlier question in terms of the two contract cancellations, have there been any, have any other utilities approached you about further cancellations at this point?

Tim Gitzel, President & Chief Executive Officer

Not at this point. Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

We're not in active conversations with utilities under the same circumstances that drove those two contract cancellations. We are under active discussions with every single one of our customers who is pointing out that they're paying more for Cameco uranium than the market price. And of course our response, Orest, is there was a time not too long ago you paid a lot less for Cameco uranium than the market price. We don't stop talking to our customers but in terms of a specific example similar to those two, no, we don't have one ongoing at the moment.

Orest Wowkodaw, Scotiabank

Okay. And in terms of your realized price guidance, your outlook to 2020 is virtually unchanged. Is that because the bigger contract, the $47 million, was that already reflected in your Q2 realized price? Or are both contracts effectively showing a negligible impact on your outlook in the Q3 outlook?

Grant Isaac, Senior Vice-President & Chief Financial Officer

It's the latter. Both contracts are showing a negligible impact on that price sensitivity table. If those contracts had driven a material change we would have had to update that table, either the reported prices under the various scenarios or the volume, the average volume under contract for the years involved. So you didn't see much of a change.

Orest Wowkodaw, Scotiabank

Okay. And the $59 million of settlement, what was that on an after-tax basis?

Grant Isaac, Senior Vice-President & Chief Financial Officer

I don't have that number at hand but I can get it to you in a follow up.

Orest Wowkodaw, Scotiabank

Okay. Thank you.

Operator

Thank you. The following question is from Greg Barnes from TD Securities. Please go ahead.

Greg Barnes, TD Securities

Thank you. Yeah, I'd like to hear what that number is too, Grant, if you can, so we can try and adjust for the contract terminations in this quarter.

Secondly, on the care and maintenance costs, what is the number going to be for this year? And I know you've got $35 million to $40 million a year going forward for Rabbit Lake. Are they going to be expensed as well?

Tim Gitzel, President & Chief Executive Officer

Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Sorry, Greg, I'll just get you to repeat the last part of that question?

Tim Gitzel, President & Chief Executive Officer

Are they going to be expensed, the care and maintenance costs?

Grant Isaac, Senior Vice-President & Chief Financial Officer

They'll run through the cost of sales. The Rabbit Lake pounds will continue. The cost of Rabbit Lake care and maintenance will continue to run through cost of sales. So we obviously have a plan to work down those costs as low as we can possibly get them. As you can imagine, it's an expensive option on future production and one that we're not overly satisfied with, so we'll continue to work on those costs but we will see them in the cost of sales and we'll continue to just leave them in and not adjust them out because we're following the SEC guidelines there and there is a cash impact.

Greg Barnes, TD Securities

And what is the total cost for that similar expense this year?

Rachelle Girard, Director, Investor Relations

Greg, for the remainder of the year it's $15 million. The rest of it will be in there already.

Greg Barnes, TD Securities

I'm just wondering what the total was for the year. I guess I'll go back and add it up.

Rachelle Girard, Director, Investor Relations

$39.6 million to date and another $15 million.

Greg Barnes, TD Securities

Okay. Fair enough. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks, Rachelle, and thanks, Greg.

Operator

Thank you. This will conclude the questions from the telephone lines. I would like to turn the meeting back over to Mr. Tim Gitzel for his closing remarks.

Tim Gitzel, President & Chief Executive Officer

Thanks, Wayne. So, with that, I just want to say thank you to everybody who's joined us today on the call. We appreciate your interest and your support. And I just want to assure you that we at Cameco are doing everything we can to really navigate through this difficult time in the market and we will. So thanks again to everybody and have a great day.

Operator

Thank you. The Cameco Corporation third quarter results conference call has now ended. Please disconnect your lines at this time. We thank you for your participation and have a great day.

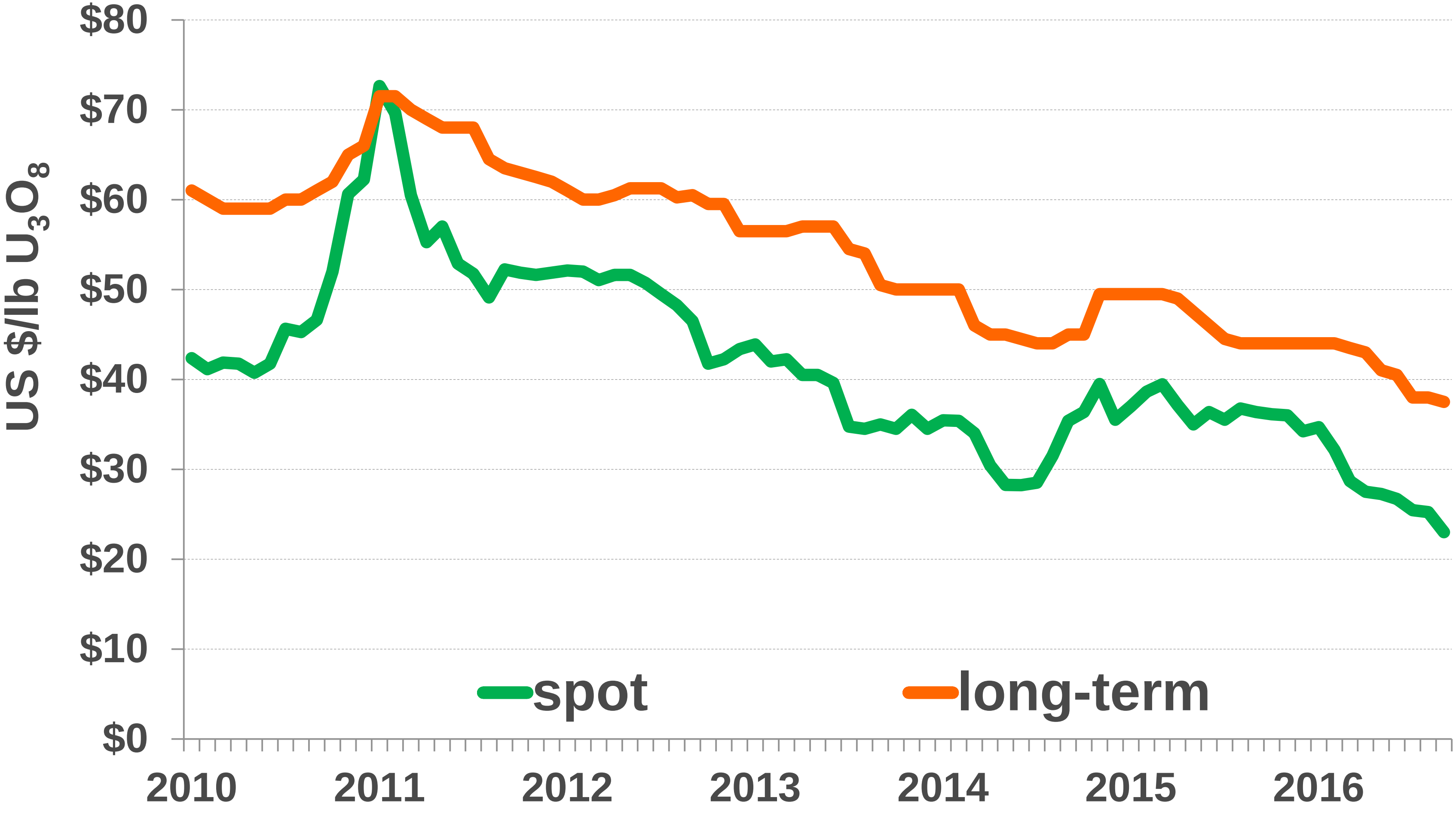
Q3 Results Conference Call

Q3, 2016

Cameco

A Challenging Market

Spot and long-term U prices at 10-year lows



Cameco Taking Action

- Flexible production
- Focus on tier-one assets – demonstrating supply discipline
- Streamlining company – controlling costs
- Optimizing contract portfolio

Getting Results

Over the last 5 years:

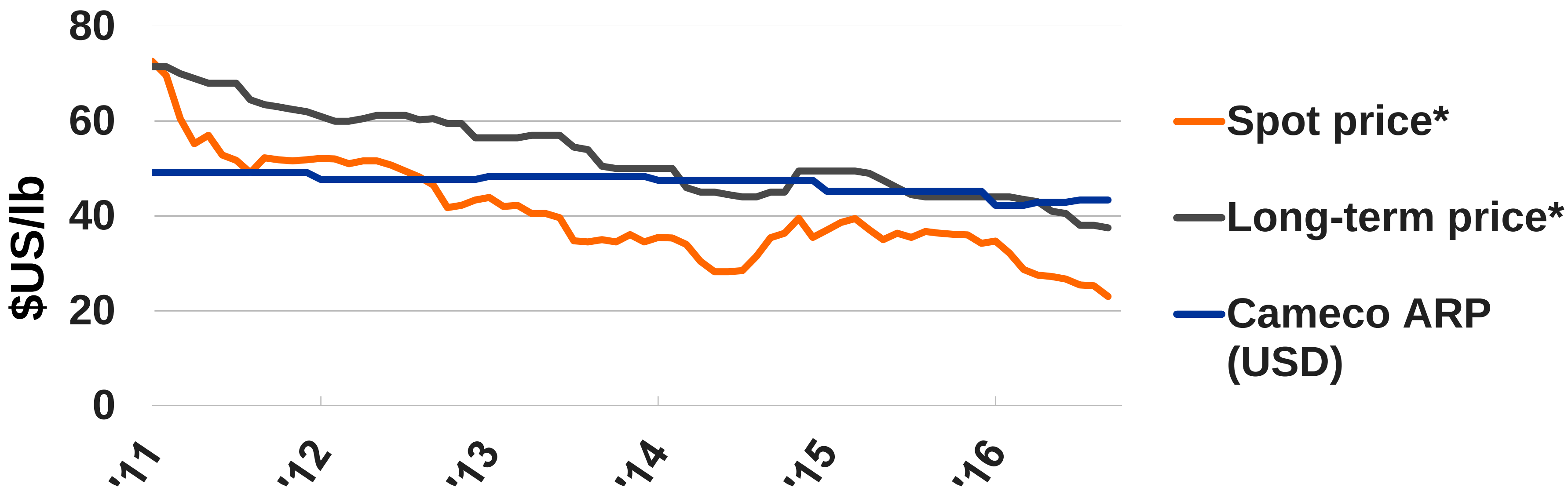
- Pulled cash production costs back to 2011 levels
- Reduced capex by ~50%
- Reduced exploration spend by ~50%
- Performed well on other measures of success
- Maintained investment grade rating
- Consistently delivered on sales guidance

Third quarter results

- Stronger results from U segment
- Net earnings positively influenced by contract cancellations
- On track to deliver on outlook
- Higher admin costs
- Strong operational results

Strong contract portfolio

- Q3 Cameco average realized price $43.37 US/lb
- Contract cancellations – converting uncertain future value to value today
- Contracted to deliver an average of 27 million lbs/yr to end of 2020



*Month-end industry averages (Ux and TradeTech)

Costs

- 7% decrease in cash production costs this quarter
- 23% decrease in cash production costs this year
  - tier-one strategy
  - Cigar Lake ramp up
- Won’t fully realize cost savings of curtailment this year

NUKEM Segment ($ millions)

	Q3	First nine months
NUKEM gross profit – 2015	13	35
Lower sales volume (timing of customer requirements, and a quiet market)	(6)	(15)
Lower gross profit % (purchase price allocation)	(10)	(17)
Write-down of inventory (decline in spot price)	(12)	(29)
NUKEM gross profit – 2016	(15)	(26)

Note: the changes to gross profit in the above table are before adjustment for the purchase price inventory recovery of $6 million for the nine months ended September 30, 2016 , 2016 and $3 million for the nine months ended September 30, 2015.

Other Changes

	Q3	First nine months
Lower (higher) admin (one-time collaboration agreement payments, office space consolidation, legal costs (CRA-related), restructuring - NUKEM & Corporate)	1	(19)
Higher exploration (planned increase)	-	(4)
Higher income tax recovery (distribution of earnings between jurisdictions)	14	34
Gain on customer contract settlement	59	59
Higher loss on disposal of assets	(1)	(9)
Higher loss on derivatives	(24)	(9)
Foreign exchange losses	(21)	(75)
Other	(2)	(7)
Total other	**26**	**(30)**

Cameco

NUCLEAR. The Clean Air Energy.

CCO LISTED

TSX TORONTO stock EXCHANGE

CCJ LISTED NYSE