Cameco Corporation

Q1 2017 Conference Call

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Presenter: **Rachelle Girard**
Director, Investor Relations

Tim Gitzel
President and Chief Executive Officer

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Senior Vice President and Chief Financial Officer

Cameco

OPERATOR:

Welcome to the Cameco Corporation First 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 you 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 of ~~Public~~ (sic) Investor Relations. Please go ahead, Ms. Girard.

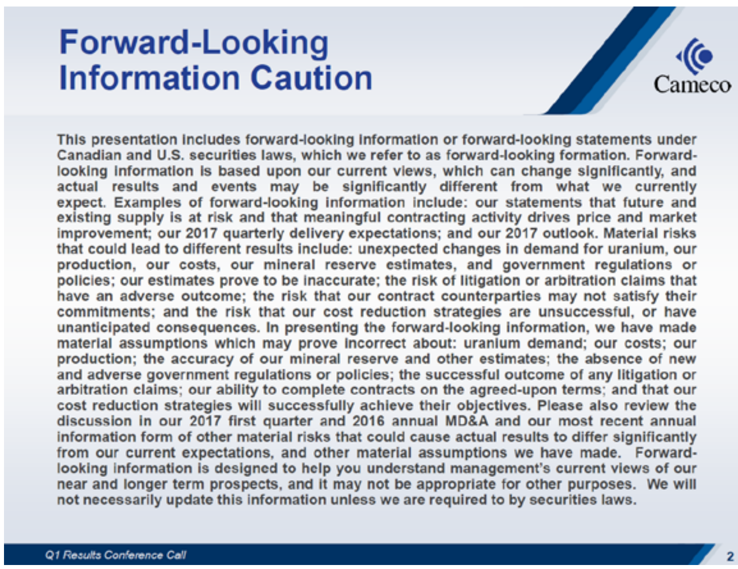
RACHELLE GIRARD:

Thank you, Operator, and welcome everyone. Thanks for joining us. Welcome to Cameco's conference call to discuss the first quarter financial results. With us today on the call are Tim Gitzel, President and CEO, Grant Isaac, Senior VP and CFO, Bob Steane, Senior VP and Chief Operating 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.

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.

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:

Well, thank you Rachelle, and welcome to everyone on the call today. I hope you're having a nice day. I'm going to spend the next few minutes giving you a brief overview of the current state of our industry, and then talk about our first quarter results, and just how Cameco is navigating through these challenging times. However, before I get to the market, I first want to point out that our results are as expected and our 2017 financial and operational outlook remains unchanged from what we guided to in the fourth quarter.

Hard to believe, but just over a month ago we marked the sixth anniversary of the Fukushima accident in Japan, an event that has really determined the course of our business for the past six years, and an event that has driven uranium prices to levels that are neither rational nor sustainable. Current prices are nowhere close to the levels required to get producers thinking about new production; production that will be needed to ensure reliable supplies are available to meet growing demand.

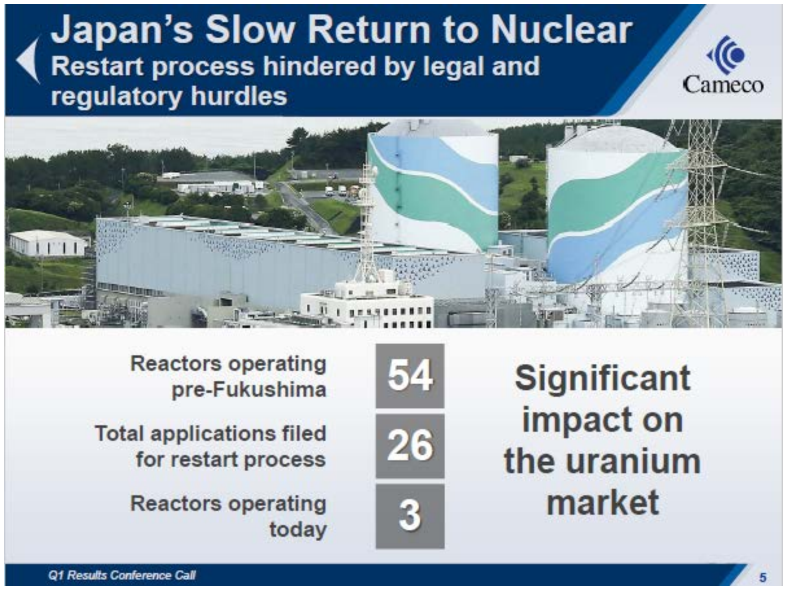
At Cameco, we're in the enviable position of having the ability to expand production at our tier-one assets once the market demands more uranium and when prices are significantly higher. However today, even our existing production, which is among the lowest cost in the industry, is under pressure at these prices. So not only is tier-one production expansion off the table, but we're obviously miles away from bringing on, or acquiring, any greenfield uranium projects.

Sometimes I worry about the lack of supply development, especially as we approach the end of the decade. As you know, bringing on new production is not easy due to the complexities of our business. Outside of our expansion capability, a new project in Saskatchewan or Australia can take up to 10 years to get to first production from the time the decision is made to get underway. And although the current uranium price is about 30% higher than the 12-year low reached in late 2016, there's still a long way to go.

As a result, our outlook for 2017 and beyond remains cautiously optimistic. Optimistic, because we've seen some positive developments on both the supply performance and demand signposts we have been watching. Cautious, because market challenges persist and could derail progress towards stronger prices.

First and foremost, on the positive side, and we talked about this on our fourth quarter call, was the announcement in January that Kazakhstan intends to cut its 2017 production by 10%. Kazakhstan accounts for almost 40% of world supply by itself. The 10% reduction takes about 5 million pounds out of the market in 2017.

Also on the supply side, it's no secret that other producers in the mining space have suffered 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.



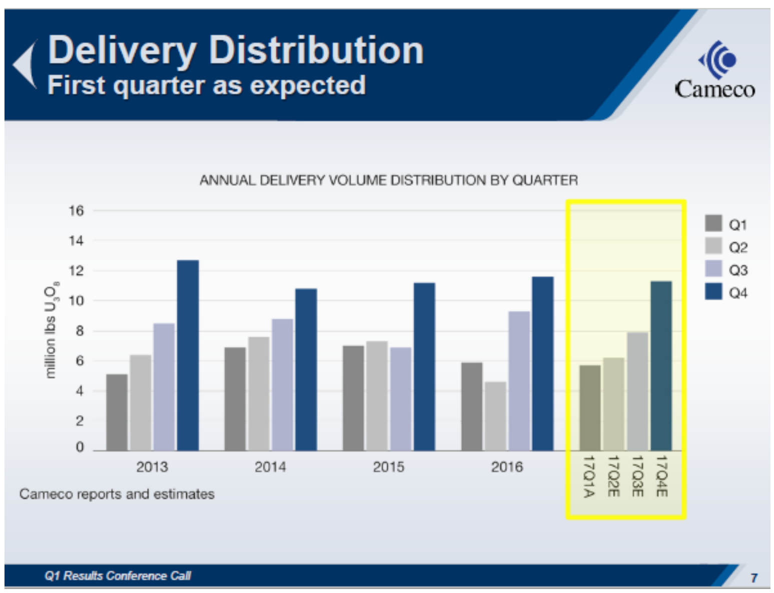
On the demand side, we're seeing some positive news out of Japan. The Osaka High Court has overturned an injunction preventing the operation of Kansai's two Takahama reactors, and these reactors are now expected to restart in May and June of this year. Further, last month the Hiroshima District Court dismissed an application for a temporary injunction seeking to shut down Shikoku's Ikata reactor, and recently Kyushu Electric received approval at the local level to restart its Genkai 3 and 4 reactors.

These developments bring more clarity to the restart process and, hopefully, create some momentum for additional restarts in Japan. But it's not all good news.

At the end of March, as you may have heard, the U.S. division of Westinghouse filed for Chapter 11 protection, as a result of losses stemming from the construction of four AP1000 reactor units in Georgia and South Carolina. The impact of the announcement on global new build is not yet clear, creating more uncertainty in the market.

On the geopolitical front, there's further uncertainty driven by changing governments and pending elections that could affect both the supply and demand sides of the industry.

Ultimately, a transition to a more positive market environment will be signaled by a combination of Japanese restarts; further supply side reductions, whether planned or unplanned; continued Chinese reactor build; and the return of term contracting in meaningful quantities. Until these developments take hold, we will continue to manage our business as if difficult market conditions will persist.



Turning to our own performance now, our quarterly results were as expected and are beginning to reflect the impact of decisions made in 2016 and in early 2017, with production costs, average cost of sales, admin costs, exploration costs, all down from this time last year. Consistent with the estimated delivery pattern we provided guidance for in the fourth quarter, deliveries in the first quarter were light. As is typical, delivery commitments in our uranium segment are heavily weighted to the second half of the year, and in particular, to the fourth quarter.

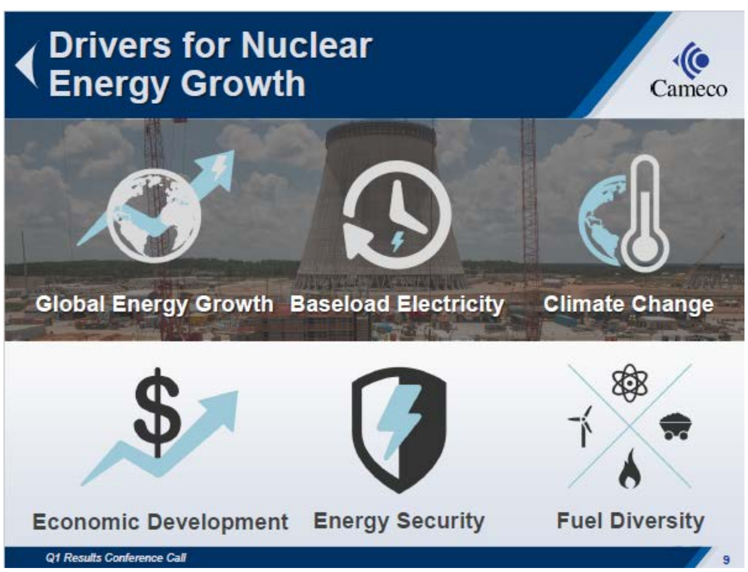
Our average realized price substantially outperformed the market, but compared with Q1 of 2016, was impacted by the cancelled TEPCO agreement, weaker uranium prices, and a stronger Canadian dollar. We are on track to achieve an average realized price of $49 per pound in 2017 assuming uranium prices remain stable at current rates, and a U.S./Canadian exchange rate of CA$1.30 for US$1.00. However, in the second and third quarters of this year we expect the pricing on deliveries to yield similar results to the first quarter, with a higher average realized price expected on deliveries in the fourth quarter, and with inventory building as production and purchases exceed deliveries early in the year, our cash flow will largely follow the same pattern as deliveries.

On the cost side, average unit cost of sales, including D&A in our uranium segment, was down 5% over the same period last year. This measure reflects the average cost of all our sources of supply, and also includes the care and maintenance costs at Rabbit Lake and severance costs associated with the workforce reductions we announced in January. The ripening of our tier-one strategy is reflected in our cash cost of production, which are down 30% compared to a year ago, and are in line with the expected life of mine cash costs outlined in our annual information form. Direct administration costs were down about 27% compared to this time last year.

Now that the upfront costs associated with the 2016 restructuring are behind us, we are starting to see the benefits of our cost-cutting measures. On the operational front, our production is down slightly from last year this time, reflecting our curtailment decisions in 2016 and the Kazakh production cut announced in January, and our 2017 financial and operational outlook remains unchanged.

There are two other things I should touch on briefly, our CRA case and the TEPCO contract dispute. In terms of the CRA case, we have finished presenting our evidence in court and the Crown is now presenting its case. We expect the trial will wrap up in early July, with final arguments expected in September. The decision will then be in the judge's hands, and we would expect to have a decision 6 to 18 months later.

On the TEPCO file, we are working our way through the dispute resolution process as outlined in the contract. This requires a period of good faith negotiations to try and resolve the dispute, and we are currently complying with that. The discussions are confidential and I unfortunately can't provide additional detail. In both of these cases, we remain confident in our position and expect favourable outcomes.



After six long years of market weakness, it's sometimes easy to lose sight of the strong fundamentals supporting our business. World population and demand for energy is steadily rising, and when countries consider their options for base-load power, nuclear is increasingly attractive, as air pollution and climate change problems become more urgent each year. Growth in reactor construction continues and will translate into increased uranium consumption. Today there are 57 reactors under construction, the majority of which could be online over the next 3 years if startups occur as planned. China represents about a third of that. India, South Korea, Russia, and the Middle East are also significant contributors to demand growth.

Of course, more reactors means more uranium, and we know that some of this demand is coming to Cameco. No other producer, I believe, is better positioned to seize this demand than Cameco.

We offer a long-lived, secure, reliable source of fuel to nuclear utilities around the world. We have a strategy focused on our tier-one assets, those that are the lowest cost and provide us with the most value. 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 action on the things we can control, like ensuring we're as streamlined and as efficient as possible; we're responsibly managing our production, our inventory, and our purchases;. we're protecting and extending the value of our contract portfolio, and we're working hard to maintain 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'm going to turn it back over to the Operator.

OPERATOR:

Thank you. We will 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 are welcome to rejoin the queue. To join the queue you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw from the question queue, please press star, then two. Webcast participants are welcome to click on the submit questions tab near the top of the webcast frame and type the question. The Cameco Investor Relations Team will follow up with you by email after the call. Once again, anyone on the conference call who wishes to ask a question may press star, then one at this time.

The first question comes from Rob Chang, Cantor Fitzgerald. Please go ahead.

ROB CHANG:

Thanks Operator, and hello Cameco team. Quick question is with respect to the purchased pounds. I know it's just 1.8 million that was purchased at CA$41.47. Is there any colour that you could give us on that?

TIM GITZEL:

I'm just looking. Grant, Rob, I'm not sure if we have any colour…

GRANT ISAAC:

Yes, Rob. What do you mean by additional colour?

ROB CHANG:

In terms of why is the price at that level? How much longer does it run or how it's sized, or anything like that.

GRANT ISAAC:

Oh, okay. Thank you. Just a bit of a reminder; these are purchases that we committed to in the past. These aren't purchases that we made on a discretionary basis in Q1, so if you — if I take you back in history a little bit, in 2014 for example, we were still ramping up Cigar Lake. We were looking at a market where we were contemplating action that's now been revealed, such as curtailing our tier-two production, Rabbit Lake and in the U.S., so we had acquired some purchase commitments, and this is simply delivery of those commitments happening in Q1. It's not purchases made in the most recent Q1, so it's just referencing prices from the past.

ROB CHANG:

Right, and is there any colour on how much more there is that's from these type of contracts?

GRANT ISAAC:

Yes, so for 2017 we put out guidance to say we had about 5 million pounds of purchases to make, again, in the same spirit of commitments that we had made in the past. So we've got the quarter one purchases out of the way and we'll see how the rest of the year unfolds, but those were the commitments that we had guided to, so 5 million pounds in total for 2017.

ROB CHANG:

Great. Thank you.

TIM GITZEL:

Yes, Rob, just a little context, Tim as well, you just recall that we sell 30 million to 32 million pounds a year and we're producing this year about 25 million, so there's a bit of a gap there that we would use some of our inventory for.

ROB CHANG:

All right. Thanks.

TIM GITZEL:

Thanks Rob.

OPERATOR:

The next question is from Yan Truong, Credit Suisse. Please go ahead.

YAN TRUONG:

Hi. Thanks for taking my question. My question relates to the price sensitivity table, which seems to have come down by $1 to $2 a pound. It seems like it's more pronounced in the latter years, so my question is are these revisions due to assumption changes, or are they due to renegotiations of some of the contract books that you have, and if that's the case, should we assume that prices beyond 2021 are also subject to this downward revision?

TIM GITZEL:

Yes, and I think it's a reflection of our contract portfolio and I think it was clear that we took the TEPCO contract out of that price table after the announcement on that one, so that would be a factor, but Grant, do you have any…

GRANT ISAAC:

Yes, as you compare the sensitivity table to the one from last year, for example, you're just seeing more sale volumes referencing a price outlook that's a bit lower. It's a fact of the market that we're in right now, so you're just seeing that effect. You take out that TEPCO contract and that's where the changes come from.

YAN TRUONG:

Understood. Understood.

TIM GITZEL:

Thanks, Yan.

OPERATOR:

The next question is from David Wang, Morningstar. Please go ahead.

DAVID WANG:

Morning. Thank you for taking my question. My first one is on the Westinghouse bankruptcy. I was wondering if you had any thoughts on if there are any potentially broader implications for cost overruns or delays in regions outside of the U.S., and if the bankruptcy is indicative of anything that's larger than just those four reactors. And then, I guess my second question is, again going back to that price sensitivity table, it looked like it was a change between the numbers from the end of the year versus first quarter ones in today's report, where both of them seem to already account for the loss of the TEPCO contracts. So I'm wondering what the net difference is, as the previous caller had mentioned. It seemed like it may be a $1 or so in some of the latter years.

TIM GITZEL:

David, it's Tim. Just on the Westinghouse piece, obviously not a good piece of news there where everyone's watching it closely. In fact, today I think I was reading this morning that today is an important day. I think there was a bit of a 30-day extension of financing by the utilities to keep the construction going, and so something needs to be decided today. I heard somewhere that they probably would look at extending it even further. But I was at the World—the WNFC, World Nuclear Fuel Conference in Toronto this week and just meeting with some of our U.S. colleagues, and I think the position of the industry is we are encouraging the parties and the U.S. government for the four reactors in the U.S. to complete those reactors.

It's very important for the industry and for those utilities, so lots to be worked out there and not a simple situation, but I don't think—we'll see how it turns out. There's other players that are looking at it as well. Hopefully, it gets resolved and we can get those reactors up and running in the U.S. And there's some in China that I think are just about finished, the Westinghouse AP1000s as well, so we'll see how it turns out, but not a great piece of news, but the good news is there's 57 reactors overall under construction and coming on over the next few years, so we'll get through this one. We always do, and Grant, do you want to talk about the price table?

GRANT ISAAC:

Sure. There's a rolling dynamic to the price sensitivity table, and I'll just remind folks that in November of last year during our Investor Workshop, we spent quite a bit of time talking about how this table rolls out over the course of a year. So what you're seeing with respect to the changes from quarter-to-quarter are that we've already delivered 5.7 million pounds as of quarter one, so that leaves less material available so there's less referencing to the price available. So it's just that weighting, but not enough yet to change our view on the average realized price for the year, and so you'll see the price sensitivity move. But I think now that we have that guidance out there for our average realized price, that's the one really to pay attention to, and if you see that move, we'll obviously have a lot of colour why that would be changing in the outlook table.

DAVID WANG:

Thank you.

TIM GITZEL:

Thanks David.

OPERATOR:

The next question is from Alex Pearce. BMO. Please go ahead.

ALEX PEARCE:

Hi, all. Thank you for taking my question. You touched on the planned production cuts within Kazakhstan. I just wondered whether you could maybe provide a little bit more colour on the timing of the cuts over the course of this year, and have you seen any impacts already?

TIM GITZEL:

Well, specific to Kazakhstan, yes, we have. I think the Minister came out last week and reported the production for the quarter, which I think was down 12%, for the quarter-over-quarter, 16%, 17%, so it looks like that's on track, now it's — our business isn't a quarter-to-quarter business. We take shutdowns. Our production is spread across the whole year. Different countries, different companies take — have different rhythms. It's not a widget factory that we produce the same amount of units every month, so I think everyone was watching for that to see in Kazakhstan what was going to happen, and so down 12% is probably a good news piece, and that goes along with the cuts we made last year. Actually, I think it was exactly last year at this time — maybe it was the 26th of April that we went up and made our announcements, took seven million pounds off. We saw in Toronto this week, AREVA made a presentation that they've pulled back by 10% or 12% at their Somair Cominak operations in Niger, so we're starting to see a bit of discipline in the market and the Kazakhs are doing what they said they would do.

ALEX PEARCE:

Great. Thank you.

TIM GITZEL:

Thank you.

OPERATOR:

The next question is from Richard Williamson, Private Investor. Please go ahead.

RICHARD WILLIAMSON:

Good morning. Another Kazakhstan question if you don't mind.

TIM GITZEL:

Sure.

RICHARD WILLIAMSON:

I read the January notification with interest, and I saw the last line that they offered there was that they do not intend to cut back on their sales. And so I just question how realistic is it in the short term to think that these production costs are going to have any impact on the market, and also secondly, do you have any information on inventory levels at KazAtomProm and how long it might take to draw down any inventories?

TIM GITZEL:

Richard, thank you very much for calling in your question. I think, with respect to the not reducing their sales, that would be their committed sales that they have already in place, so they'll deliver under those contracts. And just with the overall reduction in production, that just means there's less pounds coming out of the ground for sale, probably on the spot market around the shorter-term market, so I think that's certainly a good news piece. With respect to their inventories, that we don't know. We have no insight into what kind of inventory KazAtomProm would be holding.

RICHARD WILLIAMSON:

All right. Thank you.

TIM GITZEL:

Thank you.

OPERATOR:

The next question is from Anton Hugo of Tabankulu. Please go ahead.

ANTON HUGO:

Good morning. I saw that your uranium inventory rose by almost three million pounds from 28.5 million pounds at the end of December to 31.4 million pounds at the end of March. Those are, historically, very high levels, almost one year of fertile delivery for the group. Could you give us a sense of what your ideal inventory level would be, and under what circumstances you would see the figure dropping towards that ideal level?

TIM GITZEL:

Yes, Anton. Thank you. Indeed, they are higher, our inventory levels, for exactly the reasons that Grant was just talking about. You have to go backwards a little bit. 2013, the HEU agreement ended. We were getting a little bit over 7 million pounds a year from that agreement, and having sales in the 30 million to 32 million pound range. We had hoped - our goal had been to have Cigar Lake up and running at the end of 2013 to replace those pounds. That didn't happen. We had a gap. We had an issue and so we had to go and cover, and so we entered into some purchase agreements back in those years that called for delivery now, last year, this year, and it declines significantly going forward. We're almost through it, so that's why we're sitting with some excess inventory.

We like to sit with about six months of forward sales, so that would give you an idea of where we'd like our inventory to be, just because we need material at different locations around the world so that we can deliver to our customers, so we're a bit high now. As I also said, we — our sales guidance this year is 30 million to 32 million pounds we're going to produce. I'm looking at Bob Steane here. We're going to produce about 25 million from our tier-one assets, and so we will be using some of those pounds to fill that gap and we'll do that over the next few years and be drawing down our inventory.

ANTON HUGO:
Thank you.

TIM GITZEL:
Thank you.

OPERATOR:
The next question is from Greg Barnes, TD Securities. Please go ahead.

GREG BARNES:
Yes, thank you. Just to investigate this realized price issue this year, is the weighting tool as to Q4 going to be similar next year? I know it's early, but just give us some kind of sense of how it's going to evolve.

TIM GITZEL:
Thanks, Greg. Grant, do you know the answer to that?

GRANT ISAAC:

No, not yet, Greg. Obviously, what we're dealing with here is just the contract mix that we're delivering into. As Q1 is already in the books, as we look at Q2 and Q3 based upon delivery notices, that contract mix is suggesting the average realized price. We'll track below the guidance in the outlook table for '17, and so Q4 obviously has to track above in order for us to be holding that $49. For '18, which I think is your question, we haven't begun to receive those delivery notices yet. It's far too early for us to say what the contract mix is going to look like over the four quarters of 2018.

GREG BARNES:

Okay. Do you have approximately the same volume contracted next year as you do this year?

GRANT ISAAC:

Well, it comes off a little bit. You know that our committed volumes — we say we're heavily committed out to 2019, but of course that overall average driving the price sensitivity table is coming down, so you know that exposure opens up, so next year we still have pretty good commitment levels, not quite where we're at this year, but a lot could happen. If we find opportunities to layer in attractive contracts, we will do that, so still pretty early to be guiding what 2018's going to look like.

GREG BARNES:

Sure. Fine. Thank you.

TIM GITZEL:

Thanks Greg.

OPERATOR:

Once again, if you have a question, please press star, then one. The next question is from Ian Bickis, *The Canadian Press*. Please go ahead.

IAN BICKIS:

Thanks for taking my question. I was just curious, with the further job cuts in January, are you at optimal staffing levels or are you considering more cutbacks, or what would trigger more staff reductions?

TIM GITZEL:

Yes, Ian, we're just about complete with that. We're reducing our workforce up north at our mine sites and that takes some time. There are, obviously, procedures and rules and laws that you have to comply with and we want to make sure we do that as—with as much sensitivity as we can, so we're just about finished that. We have our production guidance. We want to produce 18 million pounds from each of the sites this year. That's our plan right now, and so we'll proceed on that basis.

IAN BICKIS:

Okay, great, and with—I mean I keep hearing talk of yes, U.S. nuclear development kind of floating with Westinghouse and others. How much of that play into the global demand for uranium, or how much of a knock-on effect could there be if uranium development comes to a standstill in the U.S.?

TIM GITZEL:

Yes, the U.S. we've seen is pretty flat over the last number of years. We were quite excited about the Watts Bar Unit came on for TVA last year. That was the first one in about, I think, 20 years, and now these 4 units in the Southeast of the states. My view is that they'll finish them. They're so far down. We went and visited them, actually, last year and they're well advanced, so hopefully they find a way forward on that.

I can tell you, again, coming out of the World Nuclear Fuel Conference, talking to our Chinese colleagues. I talked to our South Korean colleagues. Emirates are firing one of their new ones up within the next month, I think, or six weeks. There's some pretty good news around the piece. Those 57 units around the piece that are coming on over the next couple of years, that'll help put some demand into the market, so we're excited about that. So yes, the U.S., 99 reactors I think, hopefully can get those on, but really the growth story is over in Asia and that's where we're focusing a lot of our efforts these days.

IAN BICKIS:

Okay. Thanks, and so again I have — just to clarify the current state of the Japanese reactors, can you say how many are on and how many you expect to come on this year?

TIM GITZEL:

Yes, actually some pretty good news this morning on that one. There's three reactors that are operating right now, and we've been waiting on a couple of court cases. There's been a couple of real good decisions lately. Takahama 3 and 4, that were probably a year before the courts, have been approved, and indeed they're loading fuel today in Unit 4 we heard. So that's good. We think they'll start up in Unit 4 in May, Unit 3 in June. Shikoku had a good decision on Ikata. They rejected an injunction. Genkai 3 and 4 at Kyushu are approved to go, so we're at 3. We could be five, seven, eight units over the next number of months which would be a real step forward. And hopefully, as I said in my comments, we get a bit of momentum going in Japan with respect to restarts, and I think that'll be really positive. So TEPCO, as well is applying to get their units, they've got some new management there. They're applying to have their Kashiwazaki-Kariwa 6 and 7, they've mentioned, I think by 2019 back on, and then others coming on after. So that would be real good news if TEPCO could get their units back up and running as well. So yes, we're watching very closely what's happening in Japan, and certainly hoping progress continues.

IAN BICKIS:

Okay, great. Thanks.

TIM GITZEL:

Thank you.

OPERATOR:

The next question is from PT Luther, Bank of America Merrill Lynch. Please go ahead.

PT LUTHER:

Hi guys. How are you?

TIM GITZEL:

Hi PT. Good. Good.

PT LUTHER:

Good. First question I had is just out of that surprise TEPCO force majeure declaration this past winter, have there been any additional contract rework discussions that you can talk about that have popped up since then, or do you really view that as sort of a one-off?

TIM GITZEL:

Well, so far, the word contagion is used. Has there been any? Have we seen anybody else catching the fever, and the answer is no, we haven't. It was a one-off. We're in a process now with them. We've been to see all of our customers. We have, I think, eight other Japanese utilities as customers. We've gone to see them with our sales team. I saw some of them this week and we're not seeing any contagion.

PT LUTHER:

Okay. Good to hear. Great, and then last follow-up from me is after the Kazakh announced supply cut, spot prices started to run up a bit, had an upward lean to the market, and then the spot market sort of trailed off and drifted down from there. But I was wondering against that backdrop, if you could sort of share some perspective on the pace of any contract discussions and negotiations, if they've picked up after the Kazakhstan announcement or cooled off, or if there have been any change in the sentiment there?

TIM GITZEL:

Yes, I think it's been pretty flat. You see the numbers in the spot market and how much is — has moved. I think we saw 10 million or 11 million pounds in the spot market, which is pretty normal, a bit on the term market, I think there's 28 million or 30 million pounds, so a little bit of movement. I mean all producers and all customers always talk. I can tell you this meeting in Toronto was just — and I have to be careful what I say — but the conference is always interesting. But it's all the side meetings that are really interesting, and that's to see where customers are at, whether you can blend and extend contracts or whether there's any appetite, so that goes on all the time, so there's been a modest amount of contracting going on, but I just say it again. We're six years and two months into this.

Prices the day before the Fukushima accident, US$73. This morning, they're at US$22. I mean it's not sustainable. I can tell you, even for a large producer like us, we think we have probably some of, if not the best assets in the world. We're having to dig down deep and bring our cost structure way down. It's not sustainable over time with the growth we see in the reactor build, so we're doing what we can here. We're optimistic for the future, but right now, it's tough going and we'll have to just keep working our way through it.

PT LUTHER:
Understood. Appreciate it. Thanks, Tim.

TIM GITZEL:
Thank you.

OPERATOR:
The next question is from Anton Hugo of Ankulu.

ANTON HUGO:
Hi there. Just looking at your Cigar Lake joint-venture mine, TEPCO Resources is a 5% share of that, with TEPCO Holdings is of course the company with which you're on dispute. Can you give us a sense of the relationship between those two entities, and then secondly, whether TEPCO Resources is in fact still accepting delivery of roughly a million, just under a million pounds of U308 this year?

TIM GITZEL:
Same TEPCO, Anton, different sides of it perhaps, so yes, indeed, they're a 5% holder of an interest in Cigar Lake joint venture, and yes, they're taking their 5% of the production that's coming out of Cigar Lake, so that's one side of it, and then of course, the contract dispute on the other side.

ANTON HUGO:
Okay. Thank you.

TIM GITZEL:

Thank you.

OPERATOR:

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

TIM GITZEL:

Well, thank you Operator, and I just want to say thanks to everyone who's joined us on the call today. We certainly appreciate your interest and your support. As I said, this isn't easy. This is a challenging market and we're positioning the Company as we need to, to make it through, and we look forward to better days ahead, so thanks everybody. Have a great day.

OPERATOR:

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