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CONFERENCE CALL PARTICIPANTS

Andrew Quail
Goldman Sachs

Jim Ostroff
Platts

Amer Tiwana
CRT Capital

Ralph Profiti
Credit Suisse

Dan Scott
Cowen

Edward Sterck
BMO Capital Markets

PRESENTATION

Operator

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

Rachelle Girard, Director, Investor Relations

Thank you, John, and good afternoon, everyone. Thanks for joining us. Welcome to Cameco's 2015 second quarter conference call to discuss the financial results.

With us today on the call are Tim Gitzel, President and CEO; Grant Isaac, Senior Vice-President and Chief Financial Officer; Bob Steane, Senior Vice-President and Chief Operating Officer; Alice Wong, Senior VP and Chief Corporate Officer; and Sean Quinn, Senior VP, Chief Legal Officer and Corporate Secretary. Tim will provide comments on our financial results and the industry, then we'll open it up for your questions.

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 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'll turn it over to Tim.

Tim Gitzel, President & Chief Executive Officer

Thank you, Rachelle, and welcome to everyone who has joined us on the call today to discuss Cameco's second quarter results. We appreciate you taking the time to join us. And I hope you're all having a good summer.

Before I begin my comments I wanted to first note that we've had a change in Cameco's executive team. Ken Seitz, our Chief Commercial Officer, has resigned to take a CEO role with a company outside the nuclear industry. I'm assigning his responsibilities to other members of the executive team. All of us wish him much success in his new role and thank him for his years of contribution and service to Cameco.

Now turning to the market, this tends to be a slower time of year for our industry, as I'm sure many of you are aware, and we've certainly seen that again this year. There has not been a lot of change in the market, which has continued to be flat throughout the first half of the year. There were no significant changes in uranium prices and we believe fuel buyers' requirements remain generally well covered for the moment.

We're still waiting for rector restarts in Japan, but there has been movement. Five units have now made it through the nuclear regulatory agency's safety review and two of those are expected to restart very soon. Kyushu has loaded fuel into the Sendai 1 reactor and expects to start it sometime next month and Sendai 2 is expected to follow closely in the fall. In all, 25 reactors have applied for restart in Japan now. That's about three quarters of what we expect, so that tells us it's still game on for nuclear in Japan, even if the process is taking longer than everyone thought.

On the supply side, there were some disruptions that reduced overall supply but not enough to cause a change in demand from utilities. However, the continued weak uranium prices are having an impact on future supply potential over the long term. In the current low price environment it's difficult to justify the economics of projects, which is leading to deferrals or even cancellations. We saw this recently with the cancellation of a planned mine expansion in Australia. Each of these new challenges to supply means a widening of the gap between supply and demand, which we know is coming, especially as we see reactor growth causing an increase in demand at the same time.

64 reactors are under construction around the world today and new reactors have been coming on line, four in China so far this year, so there are things happening that continue to strengthen the long-term outlook, and that keeps us excited. In the meantime, we continue to focus on executing on our strategy to remain a competitive, low-cost producer. We are on track to deliver on our production and sales guidance for the year; however, we did see some cost increases in the quarter. Direct administration costs were up, largely as a result of the timing of planned expenditures for the year, and cost of sales was up in our uranium segment but still in line with our outlook.

On the production side, we returned strong results. At Cigar Lake to the end of the second quarter we mined 4.8 million pounds and the McClean Lake mill packaged 3.1 million pounds. Our share of that is 1.6 million pounds. And I'm happy to say we're on track to hit our target of between 6 and 8 million pounds for the year. We also received all of the approvals needed to increase our production at McArthur River to 25 million pounds per year. That brings our license capacity there in line with Key Lake. Of course, any production expansion at McArthur will be dependent on market conditions.

In other operational news there was, as you know, a serious forest fire situation in Northern Saskatchewan, where many of our operations are located. We were fortunate that none of our operations were directly threatened by the fires and we did not need to stop operations; however, we did suspend shipments of uranium from our mills as well as other non-essential freight so as not to tie up the two main roads in the north.

I'm happy to say that the fire situation has been improving over the past few weeks so we've been able to resume our regular shipments and we don't expect there to be any affect on our annual production guidance.

But, even more importantly, the approximately 13,000 people that had to be evacuated from their homes due to the fires have now been able to return home. I know it was very difficult for those families to be away from home having to stay in shelters for many weeks. Many of those people are our employees or are family members of employees, so this hits us very close to home, and I'd like to thank the many employees who stepped up to help out, helping with firefighting efforts, volunteering at the shelters, or making donations of clothing and all of the other things evacuees needed to be a little bit more comfortable. I have to say I'm very proud of our Cameco team in their response to this difficult situation.

So, with that, I'll stop there and we'd be happy to answer any questions you might have.

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 you may press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register. Thank you for your patience. The first question is from Andrew Quail from Goldman Sachs. Please go ahead.

Andrew Quail, Goldman Sachs

Yeah, good morning, guys. Oh, maybe afternoon. Just wondering if you could outline where the increase came from in G&A.

Tim Gitzel, President & Chief Executive Officer

The increase in G&A. Thank you, Andrew, I'm going to turn that over to Grant Isaac.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, so a number of factors were in that and actually there's some good news buried in those G&A increases. We had some planned activities for the year at our corporate office that got off to a good start, which meant we were spending money sooner. That's good because it means those projects will finish sooner. Also in there we made a note about some collaboration agreements we have with some northern communities. Buried in there were some milestone payments and the success of Cigar Lake has triggered those milestone payments. So, all in all, you know, it just reflects a good level of activity so far in the year. I just would note that our outlook in our outlook table is what we're still guiding to and so we're not expecting that increase to be indicative right across the rest of the remaining quarters.

Andrew Quail, Goldman Sachs

So those milestone payments are one-off in nature and so next year sort of normalizes back to what we'd expect in the usual environment?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Sure, that's the right way to think about it.

Andrew Quail, Goldman Sachs

Thanks, guys.

Tim Gitzel, President & Chief Executive Officer

Thanks, Andrew.

Operator

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

Jim Ostroff, Platts

Yes, hi there. I just would appreciate some comments here about the decline in production and sales during the second quarter, production and sales respectively down 18 percent and 27 percent. What are the reasons? And, again, just to make sure here, what is the outlook for the rest of the year on production and sales?

Tim Gitzel, President & Chief Executive Officer

Well, thanks for the question, Jim. No real story there. This is mostly a timing piece on sales. We've guided sales of 31 to 33 million pounds this year. We're still clearly on track for that. Our production is down a bit. Again, that's a timing piece for the most part. So, as I say, if you look at our guidance table in our MD&A we're on track for that and any variances are really just a timing issue.

Jim Ostroff, Platts

But briefly can you elaborate a bit on timing? What does that entail? What are the issues there?

Tim Gitzel, President & Chief Executive Officer

You know, on the sales side it's when our customers call for deliveries, and I think you've seen our, ah, you've seen sales and our deliveries in the first and second quarter and I think we've stated that Q3 will be about similar and then Q4, as has been the habit around here, a little heavier. On the production side, no real change there. Bob can talk about McArthur. There was, in the first quarter, a bit of an issue that we've dealt with now and so we plan to catch that up. Cigar is going well. Bob, do you have any comments on that?

Bob Steane, Senior Vice-President & Chief Operating Officer

Sure. Jim, it's a timing matter. Comparing last year to this year it was the timing of, we did have some maintenance shutdown planned in Key at a different time than we had last year and we did have a couple of unplanned interruptions in the calciner that also contributed to the lower production the first half but, ah, say looking 2014, 2015, but we see no reason that we won't hit our production targets this year.

Jim Ostroff, Platts

Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. Once again, please press star one at this time if you have a question. We do have a question from Amer Tiwana from CRT Capital. Please go ahead.

Amer Tiwana, CRT Capital

Hi, guys. Good afternoon. I was hoping that, you know, when you look at the uranium market if you take a step back and think about where you are in the cycle, obviously you're projecting some good growth over the coming years, how do you think about the industry from a consolidation perspective, do you have any interest, do you think assets are trading at the right price? And, secondly, if you could address your capital structure a little bit. Are you comfortable with how it stands today? Do you think there are things you can do there that could be meaningful to the equity?

Tim Gitzel, President & Chief Executive Officer

Yeah, thanks very much for the question. We are, I think, in the depths of the cycle as far as uranium goes these days. It's been a tough run, especially post Fukushima. We're four years, four months and change post Fukushima. It hasn't been any easy run. Yet, that said, I can tell you here we're optimistic. We're very optimistic for the future. We see 64 reactors under construction, we see 82 net new by 2024, an increase in uranium demand some 3 or 4 percent per year. Today we, you know, the world consumes about 165 million pounds; we see that going to 230 million pounds over the next ten years. Those are good numbers for us and so we're optimistic.

Now, just with respect to, I think, M&A or acquisitions or consolidation, you know, we're quite happy with our position. We're always watching to see what's going on in the market. We made some moves early in this down cycle which we're very pleased with that are going to be very good for us going forward and so I would say we're not aggressive today. We're happy with what we've got. We've got some great projects in our bullpen, as we call it, that we'd love to bring out and bring into production and will do so when the market calls for it. So that's where we are on that side. I'm going to ask Grant to just say a few words on the capital side.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, happy to do that. We very much take a balanced approach to our capital structure. We navigate by our investment-grade rating. That's certainly important for us. We obviously want to balance being prudent in this short-term down cycle with positioning for growth. I mean the goal of the Company is to be more than a price play, if you will, when the uranium market recovers obviously there will be some momentum, but we also want to have the operating leverage that comes from it. So you've seen us continue to invest in tier-one assets where we can leverage brownfield infrastructure, but we've done that very prudently, our CapEx has come down as a result.

When we think about those investments, each investment we make needs to demonstrate that it can meet our risk adjusted return criteria. It's a competitive process. Not every investment opportunity makes it through. Just tying that back to the comment Tim made about M&A, I mean if we look externally, external projects have to compete with what we already have in our portfolio, and we think our portfolio is pretty darn good. So, yeah, we do take a balanced approach to that capital structure.

Amer Tiwana, CRT Capital

Sure. Maybe I can follow up with one more question. You know, it seems to me that there may be a little bit of cash build for you guys and, you know, one, what is a comfortable cash position to operate the business and, you know, if there is excess cash what do you expect to do with it?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, those are good questions. What I'll try to provide is a bit of a framework for how we think about that as opposed to a precise number or a target. The previous question got at the fact that our deliveries can vary from quarter to quarter and, as a result, our working capital can swing from quarter to quarter. So we like to keep that in mind when we think about what an optimal cash position is. We have to make it through those periods where deliveries, our customers might be requiring less deliveries, and then in anticipation of higher deliveries. So that variability that we can see from quarter to quarter is obviously top of mind when we think about the cash position.

When we think about investing that cash we really apply quite a rigorous capital allocation process to that and we basically say that once we have our cash from operations pretty well understood, um, we have to net out a couple of factors, we've got a dividend out there that's a commitment to our shareholders, we net that out, and we know we have some interest payments on some long-term debt, we net that out, which gives us kind of a residual or investible capital amount. That amount can go in one of two directions. It can either go investing into our business or it can go back to our owners. And what I would just say is over the last couple years we've seen very compelling reasons to invest in our business. Ours is a business where we think the long-term fundamentals are very strong and positioning ourselves for a share of that value is precisely what we've been doing. If that view changed then it would go in a different direction. We would think about the returns to our owners. But right now we think there's a very compelling case to invest in the great assets that we have in the space.

Operator

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

Ralph Profiti, Credit Suisse

Good afternoon. Just following up on the last question, Tim or Grant, would it be safe to say that sort of the CRA risk is kind of the one impediment for share buybacks and dividends being higher in the pecking order of capital allocation?

Tim Gitzel, President & Chief Executive Officer

Well, Ralph, you know, we're confident and comfortable in our position with the CRA. It's going to take some time to play that out. So, you know, we'll see how that goes, but we, as you've heard from us before, we think we're very well covered with our available cash and access to the capital to cover that eventuality should it go wrong, which we don't think it will. So I think we're fine in any event.

Ralph Profiti, Credit Suisse

Okay, thank you.

Operator

Thank you. The following question is from Bryan Bergin from Cowen. Please go ahead.

Dan Scott, Cowen

Hey, it's actually Dan Scott. Last fall we saw Cameco come into the market and make a big purchase of uranium and then we haven't had a whole lot of colour on contracting right now, short or long term. Can you give us some colour on the behaviour you're seeing from the utilities, especially ahead of the Japanese restarts?

Tim Gitzel, President & Chief Executive Officer

Just scratching my head to remember what that big purchase was...

We've been in and out of the market all the time. We always are making purchases. We will watch the market and when we think it makes sense for us to do that, we'll do that.

Dan Scott, Cowen

Actually I meant Exelon. Sorry about that.

Tim Gitzel, President & Chief Executive Officer

Which one?

Dan Scott, Cowen

I meant Exelon was in the market in the fall making a big purchase.

Tim Gitzel, President & Chief Executive Officer

Oh, okay. Okay. Okay. We were looking at each other—

Dan Scott, Cowen

Apologies.

Tim Gitzel, President & Chief Executive Officer

—anybody remember making a big purchase? Because we are in and out of the market all the time. So, yeah, Exelon. India has been in the news lately. That was an interesting piece for us in the quarter. I'm not sure we said too much about that. And then their recent announcement to perhaps build a strategic inventory of some 5,000 tonnes, maybe even more to 10,000 tonnes, so that's going to take some product off. So there has been, you know, if we look back, we were looking this morning at the long-term contracting over the last two and a half years, so that would be 2015, 2014 and 2013, and it is kind of shockingly low compared to what an average year would be, maybe 150 to 175, which matches what an annual year of consumption would be. I think two years ago it was down in the 30 million pound range and maybe 50 or something last year, this year about the same.

So that has been something we've watched very closely. There has been a dearth of long-term contracting, covered by some spot purchases, some of this medium-term business that's come up in the last few years, but certainly not to cover what would be normal business. So that's why we say we're waiting for the utilities. We see the uncovered requirements opening up in the next few years. Utilities have to come back to cover that and that's going to be another catalyst along with Japan, along with China, along with supply disruption that's going to really be useful for our market.

Dan Scott, Cowen

So you don't think that's a fundamental change in the contracting behaviour of utilities going forward due to persistent lower prices?

Tim Gitzel, President & Chief Executive Officer

Yeah, I think it has been post Fukushima. I think they had the luxury in that period to just watch the market, see where things were going, see where Japan is going. Now that—and we'll see with Japan. It's going to be a slow ramp up, I think, but, you know, we waited for years now to see the first one and we'll see, ah, that appears imminent and we'll see how fast they ramp up. We're encouraged by the Japanese government's commitment to 20 to 22 percent nuclear by 2030. So, you know, I think utilities have had the luxury of just sitting on the sidelines and watching, picking off pounds. I'm not sure that luxury will continue going forward as we see new reactors under construction, Japan come back on. You know, if you look at the 64 reactors under construction and then add the 25 from Japan that are in the queue for review and hopefully restart, that's going to be a nice bump for our market.

Dan Scott, Cowen

Great. Appreciate the colour.

Tim Gitzel, President & Chief Executive Officer

Yeah, thank you, Dan.

Operator

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

Edward Sterck, BMO Capital Markets

Hi there. Just wanted to revisit something on Cigar Lake and, more specifically, the McClean Lake mill. In your Q1 results you indicated that CapEx for this year was going up and that there may be an increase for 2016 as well. I was wondering firstly if you could provide any colour on that and then, secondly, whether perhaps AREVA's announcement today that they need another €5 billion of capital beyond the EDF deal, whether that might create any kind of opportunity for yourselves.

Tim Gitzel, President & Chief Executive Officer

Hi, Ed, and thanks a lot for the question. I'm going to ask Bob Steane to answer that.

Bob Steane, Senior Vice-President & Chief Operating Officer

Well, on the JEB mill, Ed, things are still on track. So what we had in Q1 is still on track for Q2, including the, ah, so, yeah, AREVA is working towards the completion of what the work program was for this year, which required that additional work on capital for the additional piping and instrumentation and all those matters I talked about and the labour to put that in and they're very much on track for what we guided or announced in Q1. And they're still, they haven't turned their attention or they've turned some attention but they haven't got to the results of next year's, ah, what it will entail next year, so we're waiting for AREVA to work that through and come up with next year's. But it's pretty much still the same.

I would add, if you're asking, a little colour, um, I'm happy to say Cigar, the Cigar, JEB, and the JEB mill is running with the facilities that are there, it's not the expansion facilities, and they're running well. They're getting good extractions, good processing, as expected, so there are no surprises there on the technical processing. The Cigar Lake mine, the jet boring is going very well. I'm happy with how well it is going. It's becoming a routine sort of operation. And there's still, in these early days of commissioning, the balancing between mine, mill, and that's, they're still working on that, but overall the colour around Cigar and the JEB mill, the existing JEB mill, is working quite well with handling the high-grade Cigar Lake ore.

Tim Gitzel, President & Chief Executive Officer

And, Ed, just to the second part of that question, with them needing a capital raise, I mean that's really kind of outside our prevue here. Certainly they're funding their share of costs, ah, capital operating here, and so we—we're watching to see how that turns out as well but it hasn't affected anything here.

Edward Sterck, BMO Capital Markets

Okay. Thank you very much indeed.

Tim Gitzel, President & Chief Executive Officer

Thanks, Ed.

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

Well, thank you very much, operator. I'm just going to close by noting that, you know, through all this the company, our company, Cameco, continues to perform well, both financially and operationally, despite the challenging market that we talked about. As you can expect, we're waiting patiently for the industry to recover, but that doesn't mean we're being complacent. We remain focused on keeping our costs down and running our operations safely and efficiently in order to maintain the flexibility needed to respond quickly as the market improves.

So, with that, I'll say thank you. Have a safe summer and thank you for your continued interest in Cameco. Have a great day. Thanks.

Operator

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