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PRESENTATION

Operator

Good day, ladies and gentlemen, and 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, Melanie, and good afternoon, everyone. Thank you for joining us. Welcome to Cameco's 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; Ken Seitz, Senior Vice-President and Chief Commercial 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 the industry and the quarter, then Bob will provide a brief orientation and overview of the ground freezing at Cigar Lake, followed by Grant, who will provide a brief update on the Canada Revenue Agency tax case, then we'll open it up for your questions.

If you joined the conference call through our website event page you will see a PDF file there called Cigar Lake Freezing Images, which Bob will refer to during his remarks. You can also get these images 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 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

Well, thank you, Rachelle, and welcome to everyone who has joined us on the call today as we discuss Cameco's second quarter results. We appreciate you taking the time to join us out of what I'm sure is a busy summer schedule.

I'll start today with a market update followed by a brief discussion of our results. Then, before opening things up for Q&A, I've asked our Chief Operating Officer, Bob Steane, to give an update on Cigar Lake and I've also asked our Chief Financial Officer, Grant Isaac, to give an update on the Canada Revenue Agency litigation.

So let's get started with a look at the global picture. While there was no fundamental change to the current conditions, there have been developments out of Japan this quarter that support a more positive long-term outlook. In total, Japan's new regulator has received restart applications from nine utilities for 19 reactors. Sendai units 1 and 2 operated by Kyushu Electric Power have successfully become the first to pass the NRA safety inspection. Those two units have now entered into a period of public comment prior to the potential restart approval.

While the initial restarts will be positive, we expect it will take some time for a significant number of reactors to resume operations and begin to consume the inventory built up over the past several years. And we will continue to watch for other catalysts, such as the clearing of excess supply, the return to long-term contracting in meaningful quantities, and a reversal of the downward trend in uranium prices. And while the near to medium term remains uncertain, let me assure you that there are brighter days ahead for the nuclear industry. Today there are 70 reactors under construction around the world representing billions of dollars of investment and significant growth in future uranium consumption. We expect a net increase of 91 new reactors over the next ten years and continued growth in the decades to come.

Nuclear energy continues to be an integral part of the world's energy mix and at Cameco we remain excited about the future, even as we navigate through today's market uncertainty. Our people remain focused on things within our control, keeping costs down while ensuring we're running our operations safely, efficiently, and reliably. That focus will allow us to weather today's challenges and to be ready, willing, and able to take advantage of the strong long-term future that we see for this industry. It also helps us drive our near-term results.

Q2 was another strong quarter for Cameco, characterized by higher revenue, gross profit, and net earnings when compared to the same period last year. Our marketing strategy and strong portfolio of contracts continues to serve us well in an uncertain market and provides us with an average realized price that continues to outperform both the spot and long-term prices. And, as we reported in Q1, our net earnings for the first six months are up, largely due to the sale of our interest in the Bruce Power Limited Partnership. And sales guidance remains constant at 31 million pounds to 33 million pounds for the year.

On the operations side there were two items of note, one at Key Lake and the other at Cigar Lake. In July we were delighted to get news that the environmental assessment for the Key Lake extension project was approved by the Canadian Nuclear Safety Commission. This paves the way for Key Lake to increase tailings capacity. It's also a first step toward increasing production at Key Lake to 25 million pounds per year and strengthening its potential as a regional milling operation. A change to the license is also required, which we will be requesting soon from CNSC staff as well as infrastructure changes outlined in the project description.

The Key Lake decision coupled with the recent license increase at McArthur River we believe reflects the confidence our regulators have in our ability to operate safely and responsibly and it's that cautious approach that led us to the recent decision to temporarily stop jet boring at Cigar Lake. We took this action when we identified a specific area that was not freezing as quickly as expected. Bob will get into the details in just a minute but for me this situation shows clearly that our monitoring programs at Cigar Lake are working as planned. They're providing us with detailed information about the ore body, identifying issues before they become problems and giving us the opportunity to make informed decisions. Taking this action now while the mill is not yet running should allow for more continuous production at the mine once the mill is operational. We don't expect there to be any material impact to costs as a result of this decision; however, with this pause Cigar Lake production for 2014 is down from our plan of 2 to 3 million pounds. We now expect 2014 production to come in at up to 1 million pounds. So the production plan has shifted slightly. This means that some of the pounds expected to be milled toward the end of the year will simply now be produced in early 2015. To talk a little more about this issue I will now turn it over to Bob Steane. Bob?

Bob Steane, Senior Vice-President & Chief Operating Officer

Thanks, Tim.

As Rachelle mentioned, we have some images available through the conference call link on our website at cameco.com to help with my remarks. These images are at the bottom of the conference call page and will be available for your reference during and after this conference call. The first figure is a diagram of the Cigar Lake ore body showing the major mine development and our initial mining area. The second image focuses on how we are freezing the ore body and the third provides a little more detail on the localized situation in the area being mined.

To orient you, please look at figure one. Here you can see where our initial production is coming from in relation to the rest of the ore body. It is the yellow shaded area in that diagram. If you now look at figure two you'll see a diagram of our freeze program at Cigar Lake. We have a freeze plant on surface and have drilled holes from both above and below the ore body and have installed a freeze pipe in each of the holes. We circulate cold calcium chloride brine through the pipes to freeze the ground. We also installed temperature sensors like ones shown on here in red in many places throughout the area being frozen to monitor the progress of the freezing. Each temperature monitoring hole has multiple sensors at different levels, providing over 200 monitoring points. Information from the sensors is used to calibrate and verify the output from our freeze model and our freeze model incorporates information such as the brine temperature, the flow rates, and the detailed geological information that we've obtained from the drill cores to predict the rate of freezing and when it should be available for mining. We have specific parameters that we use to access when and where we can safely start mining from a cavity.

So now if you look at figure three you see a closer look at the specific mining area. This initial mine, this figure, it's a horizontal projection of a slice through the initial mining area. The six cavities that we have already mined are shown by the cluster of black circles at the bottom of the diagram. They are above the tunnel where we have the first jet boring system deployed. The white area shows areas that have met our freeze criteria and are available for mining. We are planning to advance to the north in the tunnel and where the grades, the ore grades become higher. Immediately to the left you can see another tunnel where we have the second jet boring system being commissioned. You can also see illustrated the buffer

zone of frozen rock we require to ensure safe extraction of the ore.

So, as you can see, there are still areas that could be mined today but after about five or six cavities our progress to the north would be impeded by freezing conditions in the small area that looks like a peninsula. This area is important because when it's frozen it will block off potential water inflow to a key area of high-grade ore. This area was in our mining plan for 2014. The freezing is progressing in this area but based on our assessment it has not advanced to the point that would allow us to proceed with mining. We are confident that this is a localized situation based upon our temperature sensor network. The ground in this area contains about 40 percent water as opposed to the 25 percent to 30 percent average. The higher the water content, the slower the rate of freezing.

To date, Cigar Lake has safely mined and shipped to AREVA's McClean Lake mill about 1,000 tonnes of ore. We recognize that we would have to take a pause in our mining to allow some more time for the freezing of this area before we could advance into the higher-grade material. Because the mill is not yet running and our indoor ore storage facilities are essentially full, we decided the timing would be right to temporarily stop jet boring at Cigar Lake now to allow the freezing to advance further. The impact of this pause in the mining results in some of the higher-grade material that was planned for later this year being deferred into next year. Now this deferral reduced our production forecast for this year but not our expectation to be at 18 million pound rate in 2018.

By making this choice we believe that once we restart the jet boring we will be able to do so on a more continuous basis and, as Tim has noted, this decision shows clearly that our monitoring programs and our approach to the operation at Cigar Lake are working as we have planned. We have a much greater knowledge of the geology and freeze rates now than ever before and we're using that knowledge to identify potential issues before they become problems. That's how we'll make sure we do the right thing for this operation and for all of our stakeholders interested in our success.

With that I'll turn it back over to you, Tim.

Tim Gitzel, President & Chief Executive Officer

Great. Thank you, Bob. Next I'd like to turn it over to Grant Isaac, our Chief Financial Officer, to give a brief update on the CRA issue. Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thank you, Tim. I just wanted to make a few brief remarks.

During the quarter we received CRA's reassessment for our 2009 tax return related to our transfer pricing case and we paid 50 percent of the reassessed amount. To date our total net payments to CRA are now \$215 million. As disclosed previously, we believe CRA may complete their audit of 2010 and issue the resulting reassessment this year. You will note that the total of estimated payments has not changed from what we reported previously; however, the expected timing has shifted a bit. We have updated the schedule of potential payments in our second quarter MD&A. If we are successful in our case, as we believe we will be, we expect to recover all amounts paid to the CRA on account of this case. It is important to note that there have been no changes to our view of the case since we first disclosed the issue back in 2008.

I should point out that the expected payments and timing are estimates only, since actual amounts will depend on the income reassessed in each year, the availability of elective deductions and tax loss carryover, and the timing of reassessment. We remain confident that we will be successful in our case but have taken a cumulative tax provision of \$76 million for 2003 to June 30, 2014. I want to emphasize that we do not believe that the ultimate resolution of this matter will be material to our financial position, our results of operations, and our cash flows in the years of resolution. The 2003 assessment is expected to go to trial in 2015 and we expect to receive a decision by 2016. To that end, we are currently in the pre-trial discovery process.

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

Tim Gitzel, President & Chief Executive Officer

Great, thank you, Grant, and with that, Melanie, let's open the lines for questions.

QUESTION AND ANSWER SESSION

Operator

Certainly. 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 will 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 your handset and then press star one. To cancel your question, please press the pound. Please press star one at this time if you have a question. There will be a brief pause while the participants register. Thank you for your patience.

The first question is from Ben Isaacson of Scotiabank. Please go ahead.

Ben Isaacson, Scotiabank

Hi. Thank you very much for taking my question. My first question, Tim, is a strategy one. Why is there a sense of urgency to start Cigar Lake production? Is it because of sales commitments? I mean when I think about it in an environment of excess supply why wouldn't you keep those pounds in the ground until they're needed? One of your Saskatchewan peers, PotashCorp, does this strategy in the potash market, in a very kind of similar type market, and it seems to work quite well.

Tim Gitzel, President & Chief Executive Officer

Thanks, Ben. Well, first off, it's a great project. A project we've been working on for many years and want to get it up and running to the 18 million pounds by 2018, as we've projected, and you see, if you look through our technical report, what our cash cost will be, it's a good project. Secondly, we need the pounds. We've got sales commitments for those pounds and so we need the pounds. So it's really those two pieces.

Ben Isaacson, Scotiabank

Okay. Okay, that makes a lot of sense. And then my second question is on the industry with respect to

Japanese inventory. Some utilities will eventually consume their inventory when those reactors restart and some reactors won't restart and for those that don't restart are we starting to see some of that inventory find its way to the market, number one. And then, number two, for the pounds that you have sold to those Japanese utilities do you have a right of first refusal to buy those back and sit on those pounds?

Tim Gitzel, President & Chief Executive Officer

Yeah, I'm going to let Ken answer that. I'd just say, we were a bit brief on Japan in our opening comments but, you know, we're starting to see, I think it was, we may have underplayed the first step, the Sendai reactors getting approval from the NRA. We waited a long time for that and probably still a long way to go on that, getting those going. Good news, 19 units in the queue, Japanese utilities spending billions of dollars getting their facilities ready, government policy in favour of nuclear restarts, so you know we're still optimistic on Japan, we think it's just taking longer. But I'm just going to get Ken to answer the question on the inventories.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Right. Yeah. So thanks, Ben. With respect to the first question, you know, it continues to be the same as we discussed last quarter. We have not seen any of those inventories coming into the market. And, again, we sell to all of the Japanese utilities, we're making our deliveries this year, and when we talk to our customers they're looking at their own fleet and their own portfolio and they know that some of their reactors will restart but some won't, and so there will be a redistribution of inventories but we have not seen any coming to the market.

With respect to your second question, do we have a pre-emptive right on pounds should they come to the market, I will say that most of our contracts or the absolute majority do have a no-resale clause, and so when a customer takes delivery from Cameco they're not allowed to resell our material under those contracts. So there is a conversation typically with Cameco if that were to happen. But, again, we haven't seen that happen.

Operator

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

Ralph Profiti, Credit Suisse

Hello and thank you for taking my question. Bob, can you help us on how we can think about a rate of advancement of freezing in, say, cubic metres over time or horizontal or vertical meters over time, so that we can think about assessing progress.

Bob Steane, Senior Vice-President & Chief Operating Officer

That's a good question, Ralph, and I'm not sure I could, off the top of my head, give you an answer. Overall at McArthur River it takes, it's a different ground, it freezes more readily, it's about six months to establish a freeze wall.

At Cigar Lake we're seeing to establish a block of frozen ground in the two to three years. What we're seeing at Cigar Lake is it's much more complicated geologically than McArthur River, especially with respect to freezing, and it's to do with the amount of clay alteration, and we're seeing and from all our surface holes we've got a lot of, on five-metre spacing, a lot of detailed geological information and the more clay alteration we see, clay alteration, it means more moisture, more moisture means longer time.

So we see for a large block, which was a block freezing at Cigar, it's typically we establish a big block area and then it takes us a couple of years, so we need to be a couple of years ahead of our mining to get that, to be there, to be ready for our mining. In the short term, those diagrams that I looked at and the peninsula area that I've outlined, that's a matter of months to close that and then it opens up a mining area.

Ralph Profiti, Credit Suisse

I see. Okay, that's helpful. Thank you. And maybe one for Tim or Ken, and this is in reference to the language in your MD&A about meeting delivery needs with some inventory draw and some market purchases. My question is what are your inventory levels now? I recall a figure of sort of six months of sales is Cameco's strategy. Has that target changed? And is there a critical level where you would not want your own inventories to fall below?

Tim Gitzel, President & Chief Executive Officer

Ralph, you're right on, about six months is what we normally keep. We can dip into that and we wouldn't get even close to any critical levels between our production purchases, planned purchases, and inventory draw. So we can dip in and out of there but we've got a lot so we're ready.

Ralph Profiti, Credit Suisse

Okay, thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. The following question is from Raymond Goldie of Salman Partners. Please go ahead.

Raymond Goldie, Salman Partners

Thank you and my question is for Bob. Your definition of a peninsula of slower freezing implies that it's freezing more slowly than your models had forecast and I'm wondering about the reasons that the models had forecast higher freeze rates than actually encountered. Was it just that this area had a higher water content than you'd expected or is the ground water there circulating in the basin more than modelled or is there more clay alteration than you modelled or could it be that since you mentioned, Bob, that the peninsula is close to high-grade ore could it be that the model doesn't incorporate the heating effects of radioactive decay?

Bob Steane, Senior Vice-President & Chief Operating Officer

Ray, a wonderful set of questions.

Raymond Goldie, Salman Partners

One question.

Bob Steane, Senior Vice-President & Chief Operating Officer

The short answer is all of the above. But the key in that area, I'll back up, our model does incorporate heat generation from high-grade ores. That is built into the model. That specific area, it is the clay alteration and clay content which is linked, it's higher moisture. That area specifically is running 40 percent to 50 percent moisture.

And some of that, our earlier model, we were working, we didn't have as much information as we have recently from the surface freeze holes so the earlier assumptions built into the model have been refined by the more detailed geological information and that area is specifically a moisture content issue, higher clay alteration than we had earlier understood just at that area.

Raymond Goldie, Salman Partners

Thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thanks, Ray.

Operator

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

Edward Sterck, BMO Capital Markets

Good morning, everyone. So I've got two questions. Firstly I'm going to start with, I'm afraid, the CRA dispute, and I just wanted to get a feeling for the process ahead. The way the CRA is accelerating their audit process and implementing the penalty payments and so on and so forth looks in some respects as if they're trying to push Cameco towards a settlement, just by ratcheting up the pressure as it were, and I was just wondering is that still part of what's available or is that sort of not in the cards and it's going all the way to the court at this point in time.

Tim Gitzel, President & Chief Executive Officer

Ed, it's Tim. You know, I would just say it is way too early

on that. I can tell you we think we're in a very solid position as far as the CRA case goes and so we have received the 2009 assessment, we may get the 2010 assessment this year, but I can tell you that hasn't changed our position at all. We think we're in very solid position legally and we're going to see it through.

Edward Sterck, BMO Capital Markets

Okay, great. Thank you. And then a much easier question for the second one, which is on Rabbit Lake, how are things looking there at the moment and is there an intention to try and proceed with mining beyond, say, 2017, wherever the end of the current mine plan is.

Tim Gitzel, President & Chief Executive Officer

Well, right now, you know, we're in shutdown actually, summer shutdown at the moment, but started a little slow production this year and now plan to catch up by the end of the year. It's a mine that, I think we say keeps ticking. It's been going for a lot of years. We are constrained going forward by tailings capacity so we're looking at those issues now, some of the infrastructure we would have to put in to continue operations. So I'd just say, Ed, that we're looking at that and once we have some more information we'll bring it out.

Operator

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

Greg Barnes, TD Securities

Thank you, operator. Bob, back to that blue picture of the frozen areas, the main block where you've actually done the mining already, how long did it take to freeze that? Did it take two to three years?

Bob Steane, Senior Vice-President & Chief Operating Officer

Greg, yes it did. We had some freezing there from before from underground and pre the water inflow, and that tended to stay frozen. It had warmed but not thawed so, yeah, that did take that sort of length of time. And we've had surface freeze holes going for 18 months now and specifically we targeted that area with the surface freeze

holes to where we'd be starting production to enhance the ramp up.

Greg Barnes, TD Securities

Okay. So switching subjects I guess to Ken, the dispute you had with the utility customer that you've settled, was it that they did not want to take the material or was it a pricing issue? And where regionally were they?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Greg, I'd rather not say exactly where they were but I will say it was both not wanting to take the material and a pricing issue, and of course the two are related, and you can see the settlement. You know, the price under the contract was above the current market and so they issued a force majeure notice to us. We disagreed with that. We took it to an international arbitration panel, the panel agreed with us, and then we did a sort of mark-to-market settlement, which you see in our disclosure.

Operator

Thank you. The following question is from Daniel Rohr from Morningstar. Please go ahead.

Daniel Rohr, Morningstar

Hi. Thanks. Just looking at your book of long-term contracts, what would you say the average vintage year for your long-term contracts right now is just in terms of when those deals were agreed to?

Tim Gitzel, President & Chief Executive Officer

Oh, I'd say there's a big mix, but do you have a vintage year, Ken, in your mind?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

No. You know, if we look at sort of when we ramped up contracting and then ramped it back down of course when prices ran it that sort of 2007, 2008, 2009 period, we did a lot of contracting and we were very public about that. So maybe those are the vintage years in that, you

know, we wrote some favourable contracts that we're now enjoying, and now you see us writing fewer contracts in this environment.

Daniel Rohr, Morningstar

All right, thanks. And then you mentioned you're still on track to hit the 2018 target as far as the Cigar Lake ramp. How does the pause in jet boring impact the shape of the ramp schedule for 2015, 2016, and 2017, if it does at all.

Tim Gitzel, President & Chief Executive Officer

We haven't really put that out yet, I think, the shape of the ramp schedule. We'll be putting more information out on that. You know what we've just done is as we worked through the mining we started with some of the lower grade cavities and then work our way through, so we've just pushed some of that into early next year and so, as we say, it'll change our production a little bit this year but we're still on track for 2018.

Operator

Thank you. The following question is from Steve Bristo from RBC Capital Markets. Please go ahead.

Steve Bristo, RBC Capital Markets

Hello and thanks for taking my question. I'm just wondering if you can help me understand one aspect of your guidance. In the uranium you're guiding for a revenue increase of 5 percent to 10 percent at an exchange rate of 1.8 and if I use the maximum sales volume in your guidance of 33 million pounds that would imply you require a realized price of over US\$48 per pound and any other (inaudible) you'd consider would require an even higher price, so I'm just wondering is that revenue growth realistic? Are we going to see higher realized prices in the back half of the year? Or what am I missing?

Tim Gitzel, President & Chief Executive Officer

Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. Well, certainly without the benefit of seeing the math you're doing I just would say, it is a realistic number. We obviously wouldn't put it out there if it wasn't realistic. It is one that we did not change the guidance because we think it accurately reflects the yield that we will get under our contract portfolio. Certainly happy to discuss with more detail the math you're doing but it just doesn't reflect our view.

Operator

Thank you. The following question is from Oscar Cabrera from Bank of America Merrill Lynch. Please go ahead.

Oscar Cabrera, Bank of America Merrill Lynch

Thanks, operator. Good afternoon, everyone. Just if I may go back to the question that Greg asked, and understand there's sensitivities around it but if, you know, are you seeing more utilities around the world trying to do something similar to this or this is just basically related to the Fukushima accident?

Tim Gitzel, President & Chief Executive Officer

Oscar, it's Tim. This was a bit of a one-off. This is not indicative of any pattern we're seeing at all.

Oscar Cabrera, Bank of America Merrill Lynch

Okay. And then in terms of the Cigar Lake ramp up, can you give us an idea if there's going to be additional capital expenditure requirements and/or an impact on your estimate for cash cost as you reach your peak production by 2018?

Tim Gitzel, President & Chief Executive Officer

Oscar, no change in either one of those categories for us going forward. This is just, as we said, a slight delay for this year, on the calendar year if you like, of production that once the mill is up and running we will make up, and still on track for 18 million pounds by 2018.

Operator

Thank you. The following question is from Max Brett from Mergermarket. Please go ahead.

Max Brett, Mergermarket

Hi, everyone. Thanks for taking my question. This is Max Brett, reporter with Mergermarket. I'm just wondering if the executives on the call could give any sort of guidance as to potential acquisition activity or external growth opportunities from the company. Thank you.

Tim Gitzel, President & Chief Executive Officer

Well, Max, thank you for the question. It's Tim Gitzel. You know, it's something we are always looking out for. We've made some acquisitions over the last several years in the down market, very pleased with those acquisitions, and we'd just say that it's something we continue to keep our eye on going forward.

Operator

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

Jim Ostroff, Platts

Yes, hi, and thank you for taking the call. A question, Tim, with respect to Inkai, you mentioned here that production is expected to be about no change, about three million pounds this year Cameco's share, and just trying to get some idea here how that compares with last year and if there's anything you could say about the outlook for 2015.

Tim Gitzel, President & Chief Executive Officer

I'll tell you—Jim, thanks for the question—that Inkai is producing well. We had a little bit of weather, if you like, at the start of the year, significant weather, that caused us a bit of a delay, but nothing serious. We're on track to produce at the 2,000 tonne level, if you like, about 5.2 million pounds, 3 million our share, for this year, which is similar to last year, so we're really at design capacity and that's what the plan is for this year.

Jim Ostroff, Platts

And how does that compare with last year production there?

Tim Gitzel, President & Chief Executive Officer

It's exactly the same.

Jim Ostroff, Platts

Same. Okay. And, finally, is there anything you can say about production next year?

Tim Gitzel, President & Chief Executive Officer

We just plan to produce at the level this year that we said we're at, 2,000 tonnes, and I don't think we've said anything for next year but nothing new there.

Operator

Thank you. The following question is from Emily Meredith of Nuclear Intelligence. Please go ahead.

Emily Meredith, Nuclear Intelligence Weekly

Hi. Thanks for taking the time. Two questions, both sort of related to the enrichment side. Could you clarify your value? I think you've got \$165 million related to GLE in your MD&A but I'm a bit confused given that GE is written down \$99 million related to their 51 percent share of GLE. And then sort of following on that, if GLE is indeed something that isn't going to go forward, is there any renewed interest in looking at a Urenco stake?

Tim Gitzel, President & Chief Executive Officer

So, Emily, thanks for the question. We won't comment on the second part but I'll ask our Chief Financial Officer, Grant, to talk about the valuation question.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, certainly as we look at GLE we have a number of triggers that we consider for that investment and one of them is the investment by other partners and so as we look ahead and put the note in there that we understand that one of the partners is reducing their spending we have to assess what that means for us from a carrying cost point of view, and that work is a Q3 event. It's not a Q2 event at all. I would just say the actions that GE took, you would have to talk to them about the specifics but my understanding is it was a reclassification under U.S. GAAP that actually is not consistent with IFRS, which is how we report. So if there are differences in there it's due to the fact we report under different accounting systems.

Emily Meredith, Nuclear Intelligence Weekly

Okay, thanks.

Operator

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

Edward Sterck, BMO Capital Markets

Thank you very much. I just wanted to pop back in and ask one further question, which is—I had to drop off the call for a bit so it may have already been asked, so I apologize if so. Just regarding the increase in CapEx guidance, is that relating only to Cigar Lake and perhaps the lower revenues that would be received from there and so not capitalized this year?

Tim Gitzel, President & Chief Executive Officer

Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

The CapEx increase, modest as it is, but it did hit the outlook table, so some guidance there. There were two factors. One is Cigar Lake, but that really is the delay in declaring commercial production, and until that time

happens we would capitalize those expenses. So, if you think about it, it's a reclassification of a spend that would have occurred anyway. It would have been OpEx in a commercial production declaration. It's CapEx until that happens and that's been a bit delayed. But also in there are some additional costs at the revitalization program at Key Lake, but the balance of it is just the reclassification of spend at Cigar.

Edward Sterck, BMO Capital Markets

Brilliant. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks, Ed.

Operator

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

Greg Barnes, TD Securities

Yes, thank you. I'm back in line too since you have a ruthless operator. On the freezing diagram again, was the next area to be mined within that red box?

Tim Gitzel, President & Chief Executive Officer

Thanks, Greg. Sorry, we're just discussing the ruthless... I'll pass that over to Bob.

Bob Steane, Senior Vice-President & Chief Operating Officer

Sorry, Greg, did you say is the next area to be mined in that red box?

Greg Barnes, TD Securities

Yes.

Bob Steane, Senior Vice-President & Chief Operating Officer

No, that red box is highlighting where that freeze peninsula, or call it the unfrozen peninsula. I should clarify it's not unfrozen, it just hasn't reached our minimum temperature of freezing that we require. That's what the red box is highlighting is that. And also the localized area where we have some very high water content.

The next areas to be mined are, if you start on that tunnel that shows where the cavities have already been taken, sorry, we intend to keep advancing to the north, and that's the area that will be mined. We'll be mining that from, that's the 781 crosscut and the one adjacent to that is the 765 crosscut where we have the second JBS installed in there, it's being commissioned. That will start later this year taking ore as well. We'll be working our way towards the north. It's when that peninsula neck is closed then that opens up all of that area. So now there's those areas that are the safety buffer zone for mining but (inaudible) connect the dots, you move your way up and that's the link point. Once that point is closed that opens up a lot of that area for mining. So that's where—

Greg Barnes, TD Securities

So then if you, yeah, if you close that are off then does that area immediately to the north where you've been mining, does that all turn white?

Bob Steane, Senior Vice-President & Chief Operating Officer

Pretty much.

Greg Barnes, TD Securities

Okay. Gotcha then. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks, Greg.

Operator

Thank you. Once again, if you have a question, please press star one at this time. If you are using a speaker phone, please lift up the handset or un-mute your line.

The following question is from David Snow of Energy Equities. Please go ahead.

David Snow, Energy Equities

Yeah, hi. I'm wondering on a macro basis if you could share with us your estimate, if you have one, for the world production or supply of mined uranium for last year, this year, and annually for the next two or three years to give some colour on the amount of delays that your press release referred to what it would look like in your macro picture.

Tim Gitzel, President & Chief Executive Officer

Yeah, so just on the macro side, you know, we see about 435 reactors operating today. Our estimate now is 91 net new reactors over the next ten years. Consumption of uranium, about 170 million pounds, we see that increasing 3 percent to 4 percent per year to about 240 million pounds over the next ten years, and so certainly going forward on the demand side, ah, we like the way that looks. Supply side, certainly a little trickier. We're watching some supply destruction I would say, and you can understand why in this market. I think someone was asking how many projects in this market if you're selling at today's spot price would be underwater, and it is significant, I would say. So it's very difficult for everyone. Looking back I think last year's production was very similar, maybe a little bit less than this year, and it hasn't changed really that much in the last couple years, maybe by, you know, from 152 million pounds to 160 million pounds, something like that. So it's very small change and you might, you might see that flat now and even trickling back the other way given some of the projects that have been shuttered. So, yeah, tough go on the supply side but demand continues to grow, so that's what we're preparing for.

David Snow, Energy Equities

How far out in the future would you see the flat to down profile extending?

disconnect your lines at this time. We thank you for your participation and have a great day.

Tim Gitzel, President & Chief Executive Officer

Well, if you can tell me where the price is going over the next three years I'd have a better indication but I can just say today, with today's prices, it's very tough for all producers.

David Snow, Energy Equities

Okay. Thank you. And what do you think Kazakhstan is going to do? Will they kind of stay flat also at around 55 million pounds or whatever they're at?

Tim Gitzel, President & Chief Executive Officer

I don't know. You'd have to ask them. Dr. Schkolnick(sp.) would be delighted, I'm sure, to have a conversation about that, but the indications are that certainly won't see the increases we have in the past years.

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. Just in closing I'd like to leave you with a couple of thoughts. First, Cameco is continuing to deliver strong results in that uncertain market we just talked about. What we're doing here is remaining focused on things within our control, like costs, keeping them down, making sure we operate safely, efficiently and reliably, and we're excited about the future and preparing to take advantage of that future, a good future for nuclear energy. And so to all of you I say thanks for joining us today and if you're having some summer vacation do it safely. We tell our employees to practice on their vacation the same safety that they do here at work and so I'd encourage you to do the same. Have a great summer. Thank you very much.

Operator

Thank you. The Cameco Corporation's Second Quarter Results Conference Call has now ended. Please