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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Cameco Corporation Fourth 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, Mark, and good morning, everyone. Thanks for joining us. Welcome to Cameco's 2014 fourth quarter and year-end 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 our financial results and the industry, followed by Grant, who will comment on our tax cases. 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 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 to discuss Cameco's annual and fourth quarter results. We appreciate you taking the time to join us and I wish you a happy new year if we haven't had a chance to do that already.

This is the time when we sum up the previous year and look forward to what we think this year will bring. And I would sum up 2014 as being another challenging year for the industry but, again, another solid year for Cameco. This may sound familiar to those of you who have been on past calls. I said it last year and the year before because it's true. Despite the difficulties in the uranium market we have continued to achieve strong results and deliver on our guidance.

If you recall, in 2013 we reported record annual revenue, record revenue from our uranium business, and record average realized price. In 2014 we were just shy of 2013's overall record revenue, and achieved new records once again in our uranium business, including revenue and average realized price. That shows that we're doing the right things: we're keeping a close watch on how the market continues to evolve, we're staying flexible to respond to the conditions we see, we're focusing on the assets that return the most value, and we're continually striving to be more efficient. So we're finding ways to do what we've always done—remain a profitable, low-cost producer, but in a much more challenging environment.

Of course, that's thanks in large part to our portfolio of assets. This year I'm happy to say we operate the two largest high-grade uranium mines in the world, McArthur River and our newest operation at Cigar Lake. Production from the mine and the first packaged Cigar Lake pounds were certainly big highlights of 2014. Today we're continuing with our plans to ramp up production there to 18 million pounds by 2018 and expect between 6 and 8 million pounds this year, half of which is our share. So it's exciting times for Cigar Lake. And McArthur River/Key Lake performed very well in 2014 as well, exceeding our annual production expectations on the heels of a record month of production at Key Lake in December. As a result, our fourth quarter production was 9 percent higher than in 2013, and overall we beat our annual production guidance by 2 percent.

And I'm delighted to say that those results were achieved safely and responsibly. In fact, safety milestones were achieved across the organization. Blind River is the star, having achieved eight years without a lost time injury, with Crow Butte just behind at seven years. Those are exceptional results.

So, positive financial, operational, and safety performance for the fourth quarter and for the year. But that's not to say there weren't challenges. There's no denying market conditions remained depressed. Reactor restarts in Japan are taking longer than anyone thought, even the utilities. The two Sendai units are the front runners of the 21 reactors that have applied for restart.

Those two have received the go ahead from the regulator as well as all of the public approvals and they are now going through the final safety checks. And just recently Takahama units 3 and 4 received preliminary approval from the regulator for restart. So there has been movement and we'll continue to watch that process closely in 2015. But, overall, the industry is still suffering from decreased demand and a supply overhang that has caused low uranium prices. In fact, prices reached a nine-year low last July before recovering somewhat at the end of the year.

So today it's tough. For that to change we need to see the needle move on some key catalysts. We need to see reactor restarts in Japan, the return of long-term demand, and continued progress on new reactor construction. Of course, new reactor start-ups are occurring now. In 2014 five new reactors joined the grid. There are around 70 continuing construction today and we expect about 80 net new reactors to come online over the next ten years. When we translate that to expectations for uranium consumption, it means 4 percent annual growth over the next decade. So the growth story for nuclear over the long-term has not changed. It remains incredibly strong. In fact, the question is becoming, we think, will supply be able to keep up when the market turns.

Continued low uranium prices means there is no incentive to invest in new production, so it's not surprising that what you see today are projects being delayed or cancelled. Ours is a long lead time industry. A mine can take up to 10 years to bring on when things go well. So, in our view, the market will be calling for more uranium at a time when it could be difficult for primary supply to keep up, and that is what we continue to plan for. We are maintaining flexibility to respond not only to the near-term challenges but also the long-term growth. We continue to prepare for expansion at McArthur River/Key Lake and we're ramping up Cigar in order to be ready for the increasing demand we see coming. And in the longer term we have an excellent pipeline of projects to draw on as well.

So what you can expect to see from us in 2015 will be very similar to what you saw in 2014: working hard at our operations, staying efficient, operating safely, and looking to return another year of strong results.

So, with that, I'll turn it over to Grant Isaac to take you through the CRA and the IRS piece. Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thank you, Tim. I just wanted to make a few remarks. You've heard us talk about our dispute with the Canada Revenue Agency several times now and, as we've said before, it is challenging for us to effectively communicate what this dispute is about because it's complex and it's before the courts, and adding to this challenge you will have read in our news release and MD&A that we recently received a Notice of Proposed Adjustment from the U.S. Internal Revenue Service relating to our 2009 tax year. We do realize that our tax disputes are of interest, so I wanted to provide you with an update of where we're at on the CRA case and walk you through what the IRS's notice covers.

So what is new on the CRA front? Well, actually not a lot. There are couple of items I would like to draw your attention to, however. First, we have determined that we have another tool at our disposal in order to satisfy the 50 percent we are required to pay at the time of reassessment. As an alternative to paying cash we may instead provide security by way of letters of credit. We have not yet received the CRA's reassessment on our 2010 tax return but continue to expect to see that shortly. Keep in mind we have already factored this reassessment into the estimated future amounts owing that we have disclosed. The other item you will note is that the total of the amounts paid and estimated future amounts owing has increased from what we reported previously. This is simply because we now know our 2014 earnings and are able to apply the methodology we think the CRA is using to estimate the expected impact of a reassessment on our 2014 tax return. You will see similar updates in subsequent years.

I should point out that the expected amounts owing and timing are estimates only, since actual amounts will depend upon the income reassessed in each year, the availability of elective deductions in tax loss carryovers, and the timing of reassessments. If we are successful in our case, as we believe we will be, we expect to recover all amounts paid to the CRA related to this case. It's important to note that there have been no changes to our view of the case since we first disclosed the issue in 2008 and, as far as timing goes, the 2003 assessment is expected to go to trial in 2016, with a decision expected six to 18 months after the trial is complete.

As I mentioned earlier, we have received a notice of proposed adjustment from the IRS for our 2009 tax year. The IRS position is that a portion of our non-U.S. income taxed in non-U.S. jurisdictions should be taxed in the U.S. In particular, they propose that income earned on sales of

uranium by our U.S. mines to Cameco Europe is inadequate and compensation earned by Cameco Inc., one of our U.S. subsidiaries, is inadequate. We believe the assertions of the IRS are incorrect and we plan to contest them in an administrative appeal. During the appeal process we are not required to provide security or make any cash payments.

Also keep in mind that the income the IRS is proposing to tax in the U.S. is a portion of the same income we paid tax on in non-U.S. jurisdictions and which the CRA is proposing to tax. Bilateral international tax treaties contain provisions that generally seek to prevent taxation of the same income and we are considering our options under these treaties. I want to emphasize that we do not believe that the ultimate resolution of these matters will be material to our financial position, results of operations, and cash flows in the years of resolution.

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

Tim Gitzel, President & Chief Executive Officer

Well, thanks, Grant, and with that 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 then allow one follow-up question. Then, if you have any 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 your handset and then press star one. To cancel your question, please 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 for their questions. Thank you for your patience.

Our first question is from David Talbot from Dundee Capital Markets. Please go ahead.

David Talbot, Dundee Capital Markets

Good morning, guys. Good quarter here. Focusing on the assets that return the most value, you had some write-

downs at Rabbit Lake, either cancellation or deferral of certain capital programs. Could, perhaps, we get a little bit of colour on what capital projects might have been impacted here? Could we, perhaps, read through that Rabbit Lake is one of those assets not necessarily returning that value? You know, maybe assuming status quo, would you rather focus elsewhere and allow production to decline at Rabbit? Is that something that we could see in the next couple of years?

Tim Gitzel, President & Chief Executive Officer

David, thanks for the question. Regarding Rabbit, we did, you saw, took a write-down on Rabbit. Rabbit continues to produce for us. They had a very good year last year. As you know, we sell between 31 and 33 million pounds a year, we produce less than that, in the 23 to 24 million pound range, so those Rabbit pounds are important for us. We also have some constraints going forward. You know, our tailings capacity is limited going forward and so we've got some decisions to make there. We're looking at the potential of expanding tailings, extending that out, but that's really market driven to a large extent, so we'll continue to look at that.

We did take a small provision on some other assets and I'm just looking at Grant. Do you want to just touch on those?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, certainly, and I'll just circle back to the impairment on Eagle Point. As Tim was describing, obviously there are times when the accounting treatment may differ from operational for strategic intent, so all we've done is some analysis on this asset from an accounting perspective and just came to an impairment charge, but yet Rabbit Lake had a great year in 2014 and you've seen its production forecast for 2015. So it continues to be a part of our stable, obviously. And then there were a few other assets that we looked at. You know, we've come off Double U, obviously, we mentioned that quite a while ago, and as part of that process and revisions to our capital allocation process we've gone through and looked at all of our projects that we have and determined that there were a few of them in particular that were linked to our growth plans, growth plans that we're no longer on, and so we also took a write-down at year end on some of those assets pertaining to, you know, Key Lake and McArthur River, so...

David Talbot, Dundee Capital Markets

Okay, perfect. Thank you. Just one more quick question: Cigar Lake, how is the ramp-up proceeding right now from the mining point of view? Have you found that that additional freezing time has really helped the development for this year? And has it impacted, I guess, development for this year at all?

Tim Gitzel, President & Chief Executive Officer

David, let me pass you over to Bob Steane.

Bob Steane, Senior Vice-President & Chief Operating Officer

Yeah, David, Bob Steane. That pause in freezing absolutely took freezing out of the picture, so that's not an impact on our development, our plans coming up this year and going forward, and overall our development is progressing along the lines of the technical report. We're ramping up to the 18 million by 2018. We're on track for that.

Operator

Thank you. Our next question is from Greg Barnes from TD Securities. Please go ahead.

Greg Barnes, TD Securities

Yes, thank you. Grant, the tax recovery this year of 60 to 65 percent, is that entirely traced back to the transfer pricing issue? Or is there something else going on behind that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, it's just, ah, it's the same analysis we've been doing every year when we put out that outlook table. We look at our consolidated effective tax rate, which is just, you know, the accumulation of the activities we have in our global structure. The recovery this year just recognizes greater activity in Canada, obviously as a result of Cigar Lake coming online and more Canadian production. So, no change in the methodology.

Greg Barnes, TD Securities

Okay. The second question haunts back to Cigar Lake: you're pretty vague about when commercial production is achieved, say consistent or sustainably increasing production levels; what guide is going to tell you that you're there? Is that three jet boring machines operating or is there some other trigger that's going to tell you you're at that level to hit commercial production or announce commercial production?

Tim Gitzel, President & Chief Executive Officer

So, Greg, that has to do with the IFRS interpretation and Grant's been studying that meticulously, so, Grant, do you want to answer that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. So we obviously have to build a bit of a framework for coming up with when commercial production can be declared. I mean gone are the days when you pick a notional capacity factor and say, you know, 75 percent of nameplate or 80 percent. Those days are gone now. Really it comes down to a determination of—is the asset producing in accordance with its mine plan? So, looking at that, we've developed a series of markers that have to be achieved. You hit on a good one. I mean we've said that we need a certain level of productivity from that jet boring system. We need to see it producing reliably and sustainably over a certain period of time.

We also would like to see, obviously, more than one jet bore in operation reliably and sustainably. And so that kind of gives you an idea of some of the factors that go into it. Obviously there's an ore specification that we want to hit and hit that reliably and then ultimately wrapped into a sustainable production rate right through the entire mining process. So those become a framework for declaring commercial production, because you don't, you no longer have the ability to simply say, well, 70 percent of nameplate. So we're working towards those milestones and when we get there obviously we'll be very happy with that declaration.

Operator

Thank you. Our next question is from Brian MacArthur from UBS. Please go ahead.

Brian MacArthur, UBS

Good morning. My questions relate a little bit back to David, going forward on some of the other plans since you got rid of Double U. You talk about lower well field development, Crowe Butte is down year over year, you know, at one time you were going to have big ISR production, which I think has probably been pushed out. How should we think about the well field declines on the U.S. operations over the next few years? Because it doesn't look like massive amounts of capital is going to be in there.

Tim Gitzel, President & Chief Executive Officer

Well, Brian, it's Tim, we're just, you know, we're watching the market really, and where we have flex in our production we're watching to see where we can use that. We haven't been putting a lot of capital, you see our capital spending is down overall forecast for this year and even going forward. So, you know, we're watching the market. Those well fields are continuing to produce. We're waiting to see, like I say, if the market improves, and we will if they do we may put some more capital into the ground there, but at the moment we're just letting them run.

Bob, do you have anything to add to that? No? That's about where we're at, Brian.

Brian MacArthur, UBS

But would they last another three years or do they...? Like I just don't know well enough how those wells decline.

Bob Steane, Senior Vice-President & Chief Operating Officer

Bob Steane here, Brian. Yeah, they'll carry on on a decline for a number of years. And there are still, in fact, if we go to Crow Butte, there are no new well fields to put in at Crow Butte deposit. There are additional deposits around there but the Crow Butte deposit is declining. At Smith Ranch-Highland there are additional well fields that we are continuing to develop but not bringing on adjacent properties.

Operator

Thank you. Our next question is from Steve Bristo from RBC Capital Markets. Please go ahead.

Steve Bristo, RBC Capital Markets

Yeah, congratulations on the quarter. I just had a question on Cigar Lake, if you'd give anymore colour on the ramp up you're seeing in 2016 and 2017 up to your full capacity in 2018.

Tim Gitzel, President & Chief Executive Officer

Steve, it's Tim. We haven't guided on that yet. What we've done is just for this year to say that we're looking at 6 to 8 million pounds. And then we take you out to 2018 and say we'll be at 18 in 18. We haven't said in those two other years, the two or three other years, 2016 and 2017 I guess, where we're at. We're just being cautious, I think prudent on where we want to go with that. So, as I said, you could take 6 to 8 million pounds. Will it be linear? Probably not exactly. But our plan is to go from the 6 to 8 this year to 18 by 18.

Steve Bristo, RBC Capital Markets

Okay, thank you.

Operator

Thank you. Our next question is from Raymond Goldie from Salman Partners. Please go ahead.

Raymond Goldie, Salman Partners

Thank you and good morning, gentlemen. You said that Rabbit Lake's tailing capacity is limited; I wondered if you could remind us when the tailings dam is filled up. But perhaps more important, since you said the, the extension of the tailings capacity is market driven, could that market include doing, um, on behalf of a third party doing custom milling? Have you been approached by someone, anyone wanting to do custom milling at Rabbit Lake?

Tim Gitzel, President & Chief Executive Officer

Well, I mean custom milling is an option. That's about all I would say on that. Nothing in the hopper at the moment. We'd say that the, ah, we have space in the tailings facility now with production to 2018 and, you know, as I say, you're going to hear this sort of refrain from us, we're watching market conditions. We wanted to be flexible as to where we were at. We wanted to get off the Double U track where we said we were going from 20 to 40. We didn't think that was a good idea pinning that up on the wall for all of the customers to see and giving a great assurance to the market. So we pulled back on that to where today we're operating our assets with some flexibility in them now. We're watching closely the future, because we believe it's going to be better, and so we want to have our timing down on that. We think Cigar Lake is going to be, ah, the timing is going to be good as we ramp up to 18 by 18. We think those will be great pounds and needed pounds. McArthur, we've got a little bit of flex there that we're working on that, just preparing for that, and Rabbit we're watching as well. We know that we've got capacity in the tailing to tailings until 2018 and we're looking at what kind of approvals and capital would have to go into extending that. So all of our facilities, as I say, we're watching them very closely and it's going to be the market that will dictate what we're going to do at some of those facilities.

Raymond Goldie, Salman Partners

Thank you very much for that. I admire your increased dedication to supply management and watching what your clients really want.

Tim Gitzel, President & Chief Executive Officer

Yeah, Ray, thanks.

Operator

Thank you. Our next question is from Daniel Rohr from Morningstar. Please go ahead.

Daniel Rohr, Morningstar

Hi. Thanks a lot. What sort of currency assumption underpins the expectation of a 5 percent to 10 percent unit cost increase for 2015? Is it the same 1.1 cross rate underpinning the revenue forecast?

Grant Isaac, Senior Vice-President & Chief Financial Officer

It is, yeah. Yeah, we haven't changed that.

Daniel Rohr, Morningstar

And then, just as a follow-up to that, you had mentioned the high unit costs for Cigar in the ramp-up phase being part of that 5 percent to 10 percent increase, I guess, excluding any impact from Cigar, what sort of unit cost increase are you looking at for the rest of the portfolio?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Oh, gosh, I don't have that number at hand. I would tell you that on a cash cost basis the Cigar Lake pounds coming in on a non-fully utilized basis are the main driver to why the cash costs would be up. And of course once commercial production is declared you have the non-cash cost of Cigar Lake hitting in. If I back those out, and I hate to take a flyer like this, I would expect our guidance would be very similar to the last few years where up to 5 percent average unit cost of sales increase but no more. I can certainly go back, do a little more work on that, and we can take it offline.

Daniel Rohr, Morningstar

Thanks. And if we were to, say, hold the spot cross rate, what sort of, ah, would you hazard a guess at what sort of unit cost increase we'd be looking at?

Grant Isaac, Senior Vice-President & Chief Financial Officer

If we were to hold the spot...yeah, I won't hazard a guess on that one, thank you.

Daniel Rohr, Morningstar

Thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thanks, Daniel.

Operator

Thank you. Our next question is from David Snow from Energy Equities. Please go ahead.

David Snow, Energy Equities

Could you give us a little more colour on inventories, what they look like versus demand how many, whatever it is, years or whatever of demand and what would it be to get normal? When you might expect them to get more normal?

Tim Gitzel, President & Chief Executive Officer

Are you talking about, David, the inventories around the world?

David Snow, Energy Equities

Yes.

Tim Gitzel, President & Chief Executive Officer

Sorry. Okay. We'll ask Ken to speak to that.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yes, David, you know, if we look around the world in different jurisdictions, different regions, people are holding different levels of inventory, and certainly in a place like Japan there's a lot of inventory at the moment. The Chinese are probably reasonably well covered. That said, we find them always in the market and so the Chinese continue to plan for, I would say, a pretty big new-build program.

If we look at the balance of our traditional customers we are seeing that, you know, over time now inventories are starting to deplete and uncovered requirements are opening up, and I will say that even first quarter this year we're seeing some emerging long-term demand—utilities wanting to put material under contract, which is a strong

indication that some of those requirements are opening up.

David Snow, Energy Equities

Okay. On a macro basis how many years' supply do you see out there, total?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Well, I don't think I would venture a guess at that because, again, region to region it varies so much that to put it all together in one global number is, I don't think it's terribly useful.

David Snow, Energy Equities

Right. Okay. All right, thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks, David.

Operator

Thank you. Our next question is from Fai Lee from Odlum Brown. Please go ahead.

Fai Lee, Odlum Brown

Hi, it's Fai Lee here. I'm just wondering if you could possibly just walk us through what your capital structure would possibly look like if you, um, under two scenarios, if you win the CRA dispute and if you possibly lose the CRA dispute. And I'm talking mainly debt to capital I guess.

Tim Gitzel, President & Chief Executive Officer

Sorry, Fai, I'll ask Grant to touch on that.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, I'm hoping you've had a chance to look at the disclosure that we've had out there for some time. We have an enormous amount of voluntary disclosure to actually address some of those issues. I mean we have—we've only been technically assessed by the CRA, reassessed for the 2003 to 2009 years, and then we go on to add the years which we haven't been reassessed to the current period, so that's 2010 to 2014. What we do is we give you a sense of what the maximum exposure would be under their methodology, which we don't agree with by the way, and that's putting things into three buckets, the income adjustment back in Canada, the income tax expense that we would face, and then the cash tax impact. So we have those numbers out there. There is quite a bit of detail in our MD&A. All of that to say that the profile of this isn't where, you know, even in a worst case, it all hits in one year. We have a situation where 2003 is actually the year that's technically before the courts right now, that's what we're looking at going to trial, and so obviously the trial outcome will affect how subsequent reassessments are done. That would be quite a prolonged process. So it's hard to give you an answer because the process is one where there's no sudden change in the capital structure. We would have time to adjust. But the numbers are there for you and what might be easiest is for you to just have a good look at that disclosure and then we can take it offline if you'd like.

Fai Lee, Odlum Brown

Well maybe if I can just ask, just clarify my question. I'm aware of the numbers and I know the profile, I'm just, ah, I just look at your balance sheet like it looks like there's relatively very low levels of debt, certainly it seems like there's room to accommodate even a negative decision into the debt portion. Wasn't sure if you had any, you'd consider financing with equity. I guess the alternate is more is if you win the scenario I'm just wondering, you have a relatively low level of debt, would you consider increasing your debt and buying back shares. I guess that's sort of the nature of my question.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Oh, okay. Thank you for the clarification. So on the tools in the toolbox question, we do have a lot, and I appreciate the perspective that you just brought to that. I mean we do have a relatively low level of leverage, we

have credit facilities that are undrawn, we have a lot of opportunity there. We're sitting on a very nice cash position. Not doing that because we're worried about a negative outcome but just because we're running the business flexibly and prudently, as Tim said. In the event that this dispute goes our way, which is our belief, and that cash is returned to us, we will look at those proceeds from the perspective that we look at all of our cash, and that's through a very rigorous capital allocation process. So when we look at, when we look at our needs, we evaluate them and say really our cash from operations, when you take out our dividend commitment and when you take out our financing costs, leaves us with an investible amount of capital. That investible capital can go in one of two directions. It can go into investing in the uranium space or it can go back to our owners. And we'll just continue to use that kind of framework for making those decisions.

By the time this dispute is decided, and our guidance is 6 to 18 months at the end of the trial, and the trial perhaps 2016 now, who knows what kind of uranium market we're going to be in, and therefore I can't even begin to imagine what those capital allocation decisions would look like, but that's the framework under which we would look at it.

Operator

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

Oscar Cabrera, Bank of America Merrill Lynch

Thanks, operator. Good morning, everyone. Just with respect to your capital guidance for 2015 to 2017, I've noticed that the sustaining capital and capital replacement, ah, it's increasing to 2017. Could you comment on that? And by the same token, your growth capital is still about \$80 million to \$90 million, could you comment on that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thank you for the question, Oscar. Our CapEx profile and the plan that we have out there for 2015 and the estimates for 2016 and 2017 really reflect what we've been talking about for some time now, which is the focus on our tier-one assets, putting ourselves in a position where the best assets in the world are ready for a market that's going to need pounds, ah, but that our other assets just aren't getting the attention. We've already talked

about it with respect to Rabbit Lake, for example, and the U.S. operations. It's a prudent response to a market that I think the uranium price on a spot basis was down 13 percent year on year, 13 percent to 14 percent. So what you're seeing in that CapEx profile is simply the consequence of that strategic direction. Now sustaining will tick up a bit, and that's really because you have, um, if you look in those outer years, 2016 and 2017, you have a tier-one asset in Cigar Lake that's ramping up to full production, it's producing a lot pounds on an annual basis, and then the sustaining capital will have to kick in, like it does at McArthur and Key Lake. So that's the dynamic you're seeing there.

Oscar Cabrera, Bank of America Merrill Lynch

Okay, great. So if I can follow-up on that, so does that mean that the sustaining levels that you have there with your new assets would be tantamount of production of about 26 or, sorry, 30 million pounds going forward?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, um, because we don't have a production forecast to follow in that 2016 and 2017 year, I certainly don't want to confirm that too starkly but the high-grade mines that we run do have a sustaining piece to them and that's why we broke out that CapEx table a few years ago into sustaining, capacity replacement, and growth, to give you some line of sight of what that kind of harvest rate of capital actually looks like, and we're pretty comfortable that that's a pretty fair range.

Operator

Thank you. Our next question is from Graham Tanaka from Tanaka Capital. Please go ahead.

Graham Tanaka, Tanaka Capital

Hi. Nice quarter, guys. I just was wondering if you could maybe describe for us as you ramp production to 2018 what kind of layers of cost could we estimate being added in. And I know it's complicated because you've got purchased and produced, but given your ramp and what you have in terms of the new assets, what average price would that new production becoming on at, say every 'x', you know, million pounds or whatever.

Tim Gitzel, President & Chief Executive Officer

Graham, I'm not sure we can fine-tune it to that extent. Obviously from a bigger-picture point of view we are, you know, people have asked us why are you ramping Cigar Lake at this point in time? And we say we'd ramp up that asset at any point of time in just about any market. When you have world-class assets that are going to see average unit cost across the life of the mine in the \$20 or less range, those are good assets. So that is the Cigar Lake story.

McArthur/Key continues to be the premier asset in the space by some margin, so we like that one. Our Kazak production is very strong. So, you know, we're looking at those three assets at least, ah, I think we've been clear, and you can go back to our technical reports, those have average unit costs in 20 or under range and so... If that gives you any help as to what we're doing with those assets going forward, that's what you will see from those assets. In the meantime we're ramping up Cigar Lake, so you don't, ah, the first pounds coming out aren't at that level, it'll take us some time to get up there, but once we do that's where we'll be.

Graham Tanaka, Tanaka Capital

Well, say, for example, in the out years demand does increase significantly for China, Japan, et cetera, I'm just wondering if you have a higher calling for more production. Can we assume that the incremental production cost would be in that same range you've been experiencing or would it be higher or lower?

Tim Gitzel, President & Chief Executive Officer

Well, I'll tell you, unless you, Graham, have assets like that, they'll be higher. That's pretty much guaranteed. And you can, if you watch this space, see some of the competition and some of the numbers they're putting out to incentivize new production, even our own cases we've come out, I think on the Kintyre mine, that was some years ago already, probably three or four years ago I think we said we needed north of \$67 three or four years ago, it will be well north of that now and so, yeah, there's not many mines like the Cigar Lake project left out there. Anything new coming on is going to, you know, we've heard others say 70 plus, and we haven't, we have no reason to quibble with that number.

Grant Isaac, Senior Vice-President & Chief Financial Officer

And you're hitting at something that obviously gets us very excited, because if there is that emergence of demand as you've articulated, that hits as Cigar Lake is actually achieving those tier-one operating costs. So that combination, we like the effect that that has.

Operator

Thank you. Our next question is from David Wang from Morningstar. Please go ahead.

David Wang, Morningstar

Hi. Thanks for taking my call. I just wanted to see if you had a view on the long term percentage of Japanese reactors that would be restarted, and then also if you have a view of what the load factor would be in your long-term projection for 2024.

Tim Gitzel, President & Chief Executive Officer

I can tell you on the Japanese front, you know, from talking, and Ken was just over there not long ago, we have agents over there, we supply all 10 utilities, we're in constant contact with them, we have them as partners at Cigar Lake, so we're forever probing them, I would say, for information on what they think—not only when do the first restarts happen but how many and when? We still are sticking to kind of the two thirds of the fleet coming back on over the next few years. And that's not really, really specific, because we're trying not to be, we've misfired on a few of those, but we're still holding to that number. That's the best information that we're getting from the Japanese utilities and from our own insights. So today I think there's 48 operable units, ah, reactors in Japan, so somewhere in the two-thirds range.

I'm not sure about the second question, that I understood what it was.

David Wang, Morningstar

Yeah, I was wondering, um, so you have projections for the amount of gigawatts in 2024 as well as uranium consumption and I was wondering what sort of load factor assumption that you're using.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

You know, I can jump in on that one, David. We, if capacity factor is what you're after, we would assume that certainly out in 2024 the world's nuclear reactors just keep getting better at this and so we would have an assumption across the board of greater than 90 percent.

David Wang, Morningstar

All right. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. Our next question is from Fai Lee from Odlum Brown. Please go ahead.

Fai Lee, Odlum Brown

Thanks. I just want to clarify something. The tax court decision that's expected, it refers to the 2003 reassessment and the disclosures. I'm assuming that once you get a decision it covers off 2003 to 2009. Is that your assumption as well?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. So you can imagine one year goes before the courts and a decision is finally made and what will obviously have to happen is the results of that decision would then be imputed into any reassessments that follow, and so we would just expect that to take the time required to do that. In the event that it's a decision that goes against us, well then, you know, that'll have to be reflected in those reassessments. And if it's one that goes for us, well then the basis for the subsequent reassessments is lost. And so, you know, the 2003 year is just a very good analog for the structure.

Fai Lee, Odlum Brown

Okay. And with reference to the IRS, it's also one of your assumptions that they could propose adjustments for later years. I'm just wondering how far out can these adjustments go on for? What are their termination dates?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, so the adjustments always follow your filing, and so what we've said in our disclosures is 2009 we've received the notice of proposed adjustment. Of course that's not the official documentation. In keeping with our recent practice, we're being quite voluntary here on our disclosure and decided to disclose at the NOPA stage rather than the official stage, which is the Revenue Agent's Report. 2010 to 2012 we know they're asking about right now. We filed for those years. 2013 and beyond, we haven't filed for those years in the U.S, so hard to propose an adjustment for years we haven't filed in.

In a broader sense, and this tied to some disclosure we've had out there for a while, the underlying structure that is being looked at benefited, if you will, from intercompany arrangements that were signed in an earlier period in the uranium market, and what we've said is that is a lot of agreements come due and new agreements have to be put into place and so as we layer into those new agreements that are, if you will, more trued up to the market at the time, then we expect obviously the magnitude of questioning to go away. So there is a bit of an end to this and we think it's in that 2016 period and that's tied to our view on our consolidation tax rate going forward.

Fai Lee, Odlum Brown

Okay. No, I just wanted to confirm that was related to the IRS portion as well. Okay. Thanks.

Tim Gitzel, President & Chief Executive Officer

Thanks, Fai.

Operator

Thank you. Our next question is from Fraser Phillips from RBC Capital Markets. Please go ahead.

Mr. Phillips, your line is open, please proceed.

Fraser Phillips, RBC Capital Markets

Sorry. Good morning, everyone.

Tim Gitzel, President & Chief Executive Officer

Hi, Fraser.

Fraser Phillips, RBC Capital Markets

I just wanted to check a couple of things. Grant, in your presentation you said that, ah, or maybe I'll say it the opposite way around, in the press release it looked like or said that you were going to try and use letters of credit or exploring the possibility of using letters of credit instead of cash. The CRA, ah, I thought you seemed more certain in your presentation.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, so we're certainly exploring it. There are provisions under Canadian Income Tax Act and Dispute policies that would allow us to do that. We're looking into it. We think that there is no reason why we wouldn't be able to do that for the reassessments and so we're just locking down the process. We just think that that's a better use of our balance sheet during this dispute phase than parking cash with the CRA.

Fraser Phillips, RBC Capital Markets

Thanks. And the other thing was the guidance with respect to operating costs, ah, with most of the increase or a big portion of the increase for the year expected because of Cigar. What assumption have you made in terms of when you start running Cigar through the income statement vis-à-vis that increase in costs you're guiding for.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, we have an idea obviously, internally, on when commercial production would be achieved. If I told you what that date would be and we didn't hit it, then you'd

ask me why we didn't hit that date for commercial production, which is why we haven't forecast it. So, yeah, obviously the plan includes some declaration of commercial production along the way, then it starts running through the P&L statement for Cigar Lake, but we don't, I don't have a date out there.

Operator

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

Tim Gitzel, President & Chief Executive Officer

Well, thanks, Mark.

I'll just close this morning by saying that, and this won't come as a surprise to anybody, the conditions have been challenging since Fukushima, and as we look at the calendar now we're coming up next month on four years post Fukushima. So we continue to find ways to remain a profitable, low-cost producer in that tough environment, and that has certainly been our top priority.

That means having a realistic view of what the market is doing and where it's going. And we believe it's important to share that view with our investors, what we're seeing, what our plans are, and how we plan to return value. That remains a high priority for us. And we know we may have been considered overly cautious at times, for example with our view that 2014 was not the year of uranium. We're watching for the inflection point just as closely as anyone but last year just wasn't it, much as we would have liked it to be. We were frank, I think, about that, and we will continue to be about all aspects of our business and the market, whether the news is good or bad.

So in 2015 you can expect to see the things I've already talked about, focusing on our tier-one assets, running our operations safely and efficiently, but also providing what we think is credible insight into what's happening in the market.

So, with that, thank you for your continued interest in Cameco and have a great day. Thank you.

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.
