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RBC Capital Markets

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PRESENTATION

Rachelle Girard, Manager, Investor Relations

Welcome to Cameco's 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; and Alice Wong, Senior Vice-President and Chief Corporate Officer. Tim will begin with comments on the quarter, the full year, the outlook for 2013, 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 will 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 as we discuss Cameco's annual and fourth quarter results.

2012 was again a busy year and I'll get into some of the details as I go through the results, but I want to start with the three things to take away from today's call. First, 2012 was another strong year for Cameco; second, the near-term challenges in the market have remained for longer than expected and we saw that reflected in the market environment in 2012; and third, the long-term outlook for the industry continues to be very strong with average annual growth in uranium demand expected to be around 3 percent out to 2022.

So let's start with Cameco's results. We always emphasize that annual results are a truer representation of the performance of the Company and I will focus primarily on those. Most importantly, we delivered on and in some cases exceeded our guidance for the year. We achieved production of 21.9 million pounds and sales volumes of 32.5 million pounds heavily weighted to the

second half of the year. Our revenue was \$2.3 billion, which is only down 3 percent from our record revenue last year. However, our net earnings were down from last year as a result of a write-down of the Kintyre property and lower earnings from our uranium segment. The decrease in the uranium segment was primarily a result of a lower average realized uranium price and increased production costs.

Looking forward for 2013, we expect to increase production to 23.3 million pounds and to increase revenue from our uranium and fuel services segments by up to 5 percent. Our outlook doesn't include revenue from Bruce Power because after January 1, 2013 IFRS requires that we account for our investment using the equity method of accounting. This means we will report our share of the earnings before taxes as a single line item on our earnings statement. And while we don't normally provide a quarterly outlook we feel it is necessary to do so for the first quarter of 2013 as there are some unusual items that will result in significantly lower adjusted net earnings than in the first quarter of 2012. Deliveries are always lumpy throughout the year; however, we expect uranium deliveries in Q1 to be significantly lower than usual, in the range of 5 million to 6 million pounds compared to 8 million pounds in the first quarter last year. Around 60 percent of our deliveries will be in the second half of the year. We also expect the first quarter to be impacted by lower earnings from Bruce Power, due to a large number of scheduled outages. I want to emphasize that this guidance is for the first quarter only and does not reflect our outlook for the rest of 2013.

Throughout the year we will continue to invest significantly in our growth plans. As we announced in our third quarter, we are pursuing 36 million pounds of annual supply by 2018, primarily through expansions at our existing operations and through the development of Cigar Lake. This approach has the advantage of narrowing our focus to properties that benefit from existing infrastructure, workforce, and positive relationships with communities, governments, and regulators. It will allow us to enhance our near-term financial picture by spreading our capital spend over a longer period of time. And we saw good progress on our plants in 2012 with the highlight being Cigar Lake. We've completed a lot of key infrastructure and began commissioning the jet boring system underground. We expect the mine to come into production mid-2013 and produce the first packaged pounds in the fourth quarter. And I can tell you that after many years of efforts to bring this mine online we're looking forward to start up later this year.

Cigar Lake will be a 2013 highlight not only because of first production but also because of the safety culture we've fostered there and throughout the Company. It's something I like to think we're known for and is the foundation of our focus on operational excellence. It's important that we keep delivering on operational excellence as we expand our production in order to help fulfill the market demand we see coming over the next decade and beyond. With 64 reactors under construction today and uranium demand growing by an average of 3 percent per year to 2022 it's clear that there is strong long-term growth for our industry. To put into perspective, we haven't seen this kind of growth since the 1970s when countries like France, countries in Western Europe, Japan and the U.S. were all building reactors.

This growth story is made even stronger by the fact that secondary supplies, which have historically bridged the gap between production and consumption, are diminishing. We know that the Russian highly enriched uranium commercial agreement comes to an end this year. The magnitude of this event is apparent if we think about it in terms of our own production. The end of that agreement will mean the removal from the market of more annual pounds than Cameco's entire production in 2012. But it is not just secondary supply that's diminishing; primary supply is also becoming more uncertain. In 2012 many producers, including Cameco, delayed or canceled projects due to uranium prices below where new projects are economic. We can't predict the exact effect of these delays but every day these projects don't move forward the larger the future supply-demand gap becomes as we move into an environment where demand is more certain and predictable but supply is becoming less certain and less predictable. So you can see why we are optimistic about the future for the industry and for our company.

Now that's not to say that the outlook for the near term is as strong. The events in Japan as well as the global economic slowdown have had a significant effect on the near term. The uncertainty around Japan's reactor fleet as well as some retirements of older reactors have led to excess inventories and discretionary buying resulting in diminished near-term demand. This situation has persisted for longer than we had expected and there was little improvement in 2012. But I would say that we did start to see some positive developments that could begin to catalyze improvement. In Japan, the establishment of the Nuclear Regulatory Authority brings important stability to the regulatory environment and has already brought some clarity to the issue of reactor restarts. And although Japan's energy policy is still to be determined, we believe the election of the Liberal Democratic Party will be similarly positive for the industry. In China, another

important jurisdiction for our industry, the approval of new reactor construction has resumed. That occurred late in 2012 and since then construction on four new reactors has begun. And of course I already mentioned the end of the HEU supply in 2013, which will take 24 million pounds per year off the market.

So we've started to see the catalysts for our movement forward and as utilities need to begin ramping up contracting activities well in advance of their requirements becoming uncovered, we think this movement will continue and will gain momentum. That's why we believe it's important not only to continue to pursue our current growth plans, but also to prepare for further demand into the future. You saw this in 2012 when we acquired the Yeelirrie project and a greater portion of the Millennium project. Both of these are world-class assets that we believe will serve us well into the future. Millennium is right in our backyard and we have a lot of infrastructure and experience there already. And Yeelirrie, I'm sure many of you have heard me say, is a deal I would do every day. We think it's a great asset that we got at a fair price.

Of course NUKEM was our other acquisition in 2012 that adds a new segment to our business. Since then we've been asked how NUKEM fits with our business and what we do. And our answer is that primary uranium production remains our core business and our core focus, but trading and secondary supplies is another significant part of the industry and we'd rather participate in that aspect of the market than sit on the sidelines. This acquisition gives us access to unconventional and secondary sources of supply, thereby strengthening our position in nuclear fuel markets and complementing our core business.

So 2012 was a busy and a challenging year but I'm proud to say that our team again delivered strong performance. I expect 2013 will be similar in those respects and I remain confident in the outlook for the industry and in our own ability to continue growing the Company and building value for our shareholders. So, with that, we'd be pleased to answer any questions and I'll turn it back over to the operator.

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 questions 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 the 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 Ralph Profiti of Credit Suisse. Please go ahead.

Ralph Profiti, Credit Suisse

Good morning. Thanks for taking my question. I have two questions. Firstly, the environmental assessment and approval at McArthur River seems to have changed in terms of procedures within the Canadian Nuclear Safety Council. Is this indeed a procedural change or is there something that has changed within the scope of that expansion plans that are a result of this new agency approving it?

Tim Gitzel, President & Chief Executive Officer

Ralph, it's Tim. I don't think there's been any change to the scope of what we've proposed there. Certainly at the federal level, over the course of 2012 the federal government has been very active in, I would say, streamlining the environmental assessment rules and regulations in Canada, they put forward new legislation, making the process more certain and predictable, the timelines more certain. So those pieces have changed. But with respect to our proposal, it remains the same.

Ralph Profiti, Credit Suisse

Understood. My follow-up question is on the 2007 tax reassessment. I just want to clarify that the \$54 million in tax assessments under dispute is after tax loss carry-forwards are taking into account. And if you could also give some clarity on where you are in that litigation process that would be very useful. Thank you.

Tim Gitzel, President & Chief Executive Officer

Ralph, I'm going to turn you over to Grant Isaac to answer the first part of the question. I'll just say on the second part as to where we are on the litigation, the

litigation, the lawyers continue to work on the file. We're moving into, I think, the discovery phase of the file, which would probably take most of this year to do, and then I think we're probably looking at hopefully going to court sometime in 2014, but we just don't know that. That, as you know, is driven by the lawyers. So in the discovery phase this year and we'll see what happens going forward. But I'll turn it over to Grant to give you a little bit more information.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thanks, Tim. Ralph, with respect to the 2007 reassessment, you know, there are provisions in the Tax Act that of course require companies to pay half of the tax associated with these types of reassessments, and so for 2007 that was \$54 million, so half of that \$27 million. In the past what we've been able to do is take those assessments and put them against tax loss carry-forwards. And so we've exhausted that option so now we're in the paying the half the reassessed amount and we'll continue on that path until the settlement, and Tim did describe the process there.

Ralph Profiti, Credit Suisse

Understood. Thank you both.

Tim Gitzel, President & Chief Executive Officer

Thanks Ralph.

Operator

The next question is from Oscar Cabrera of Bank of America Merrill Lynch. Please go ahead.

Oscar Cabrera, Bank of America Merrill Lynch

Hi. Good morning, everyone. Want to start with your uranium forecast in Kazakhstan.

During the last conference call you provided context around what these permits are taking so long to achieve. Can you just provide an update of where you are and how confident are you on getting the permits and therefore the higher production levels that you quote in your release?

Tim Gitzel, President & Chief Executive Officer

Thanks, Oscar. So just let me say on the production side the good news for us is that the plant is operating at the 2,000-tonne design capacity now and has been for some period of time now, which is good news. We are waiting on one final approval or permit from the government to have full authority to produce at the 2,000-tonne a year level in 2013. You know, we're in contact with them every day and we understand it's forthcoming; we just haven't received the piece of paper yet. So, that said, we're producing, in any event, at the 2,000-tonne per year level in 2013 and will continue to do so.

Oscar Cabrera, Bank of America Merrill Lynch

That's great. And then on the new segment in NUKEM you provided an outlook for 2013 but just wondering what the, you know, in terms of sales you mentioned 9 million to 11 million pounds in 2013 but that includes HEU sales, so wondering how that profile would look in 2014 or going forward?

Tim Gitzel, President & Chief Executive Officer

So, Oscar, let me turn you over to Ken Seitz, who's been very deep on the NUKEM file and can answer that question for you. Ken?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yes, absolutely, Tim. So, yeah, it's a fair comment that a large part of the volumes for NUKEM are HEU but if we look back in NUKEM's past even prior to HEU they've always done sort of that 3,000 to 4,000 tonne range per year, and has to do with some term contracting where they're getting term supplies out of places like Kazakhstan and Uzbekistan, and then spot market activity as well. But you put that all together and, you know, it results in a sustainable sort of 4,000 tonne per year, at least that's how we're seeing the future.

Oscar Cabrera, Bank of America Merrill Lynch

And sorry, not wanting to hog the floor, but those 4,000 tonnes after HEU, will the profit margin change much if uranium prices weren't to change?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, I think it's fair to say that for those involved in the HEU agreements, those are fairly attractively priced pounds and, yes, for NUKEM, as the HEU pounds come off and they look for new volumes and continue to transact, as I said, both in the spot and the term market, I think we can assume that they will go to sort of standard trading margins for our business.

Oscar Cabrera, Bank of America Merrill Lynch

Thanks very much.

Tim Gitzel, President & Chief Executive Officer

Thanks Oscar.

Operator

The next question is from Greg Barnes of TD Securities. Please go ahead.

Greg Barnes, TD Securities

Yes, thank you operator. I just want to go back to the CRA tax audit, and you've been running a very, very low tax rate, if not a recovery, for a very long time. Grant, how do you see that evolving over the next five years?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thanks, Greg. We did put out some guidance to give you an idea of really what's happening there from a structure point of view. You know, one of the things that we've been able to benefit from over the years are the long-term sales contracts, but of course those are then underpinned with long-term transfer price agreements, and so what we're doing obviously is taking advantage of those transfer price agreements. But they'll have to be renegotiated eventually. So the guidance we put out said that, you know, after the 2016 period is when we look to be transacting under new transfer price agreements. Those will be negotiated more at the market at the time those negotiations occur. So that kind of gives you an idea of structure and what we're looking at going forward.

We continue to believe that the structure we have in place is the correct one and therefore we are contesting the CRA's view on it. And, you know, we're not surprised. In these types of disagreements really the tax authorities are typically testing two things, they're testing is the governance relationship right and then if, you know, if test one is passed they're asking is the transfer price right within that government arrangement, and our view continues to be that on both those we're exactly where we need to be. As Tim said, these are processes that do take a long time to play out, but we continue to push our case.

Greg Barnes, TD Securities

Okay. I'll move on to another subject then, and I guess this is a question for Ken. I'm trying to understand what's happening in Japan with regard to utilities who clearly, obviously the reactors are not online. Are they still purchasing the material they have under long-term contracts?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Greg, absolutely I can tell you that we've talked in the past about Cameco looking at deferrals and agreeing to some of those in some cases and then even buying back inventories when it make sense for us, but we have seen really that drop off. And I think it has a lot to do with the new federal government in Japan and perhaps some more certainty there. The Nuclear Regulatory Authority that Tim referenced in his opening remarks being in place and new safety guidelines underway and a path, albeit it's going to take some time, but a path toward restarts that I think is giving the Japanese utilities confidence that those inventories that they're holding are going to be required.

We found it interesting, Ux Consulting just put out some numbers at the end of last year that those utilities have spent somewhere between \$12 billion and \$13 billion on safety upgrades for their units. So they're very much thinking that their units are going to restart and we see that with respect to their inventories and how they're treating them in that we have, for the past little while now, haven't had any requests for those types of deferrals or buying back inventories.

Greg Barnes, TD Securities

Okay. It just seems to me though that if they continue to buy over this two- or three-year period, whatever it continues to be, they will be building a fairly large stockpile of uranium.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, that's a fair comment. You know, for every year that the Japanese utilities are not operating their units it's 20 million pounds. That's what they were consuming prior to the March 2011 events in Japan. So, yes, I think that's fair to say. But, again, they're holding on to those inventories. We're delivering about 10 percent of our portfolio into Japan this year and that's what we expect to do. So it's a fair comment, Greg, that some inventories are building, but they're holding on to them with an expectation their units are going to run.

Greg Barnes, TD Securities

Okay. Thank you. Thanks, Ken.

Operator

Our next question is from Edward Sterck of BMO. Please go ahead.

Edward Sterck, BMO Capital Markets

Good morning, gentlemen. So I've just got a couple of questions here. The first one is on Cigar Lake. Production is scheduled to start later this year but I was just wondering when it was expected that commercial production from an income statement perspective would be declared.

Tim Gitzel, President & Chief Executive Officer

So, Edward, you're indeed right, we are planning to start up commissioning in the mine mid this year and then have the first packaged pounds by the end of the year, so we're happy about that. I'm going to ask Grant to talk about the commercial production piece because it's a little bit, well, it's an important piece and it's a little bit different. So, Grant, do you want to talk to that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, happy to do that. It's a good question and we've been asked it quite a bit lately. With the transition to IFRS and of course, you know, that's an accounting system that's always looking for a principle behind a decision, rather than applying a rule and saying 70 percent of production capacity or nameplate capacity or 60 percent I mean we watched as U.S. GAAP over the years had got a little more stringent and a little more stringent in terms of when you could declare commercial production.

Under IFRS it's more of a principle and if you want to think about it conceptually it's when you're producing from an asset according to the mine plan and the mining method with production infrastructure largely in place. And so what it means for an asset like Cigar Lake is commercial production will likely be declared early in 2014, and of course this is an asset that ramps up, takes a number of years to ramp up, 2017, towards the end of 2017 it'll be at full production, and so that ramp-up schedule that you've seen in the technical report, the latest technical report will apply, but from a profit and loss point of view it means that the first pounds that come out of Cigar Lake are of course at a high cost, because they don't benefit from the big denominator. So commercial production according to that principle is being declared rather early, but that's an accounting treatment.

Edward Sterck, BMO Capital Markets

Okay. Fantastic. And then my follow-up question is just in relation to NUKEM and the amortization of the acquisition cost. Is that only going to be in the HEU sales or will some of that acquisition cost amortization be allocated to ongoing uranium sales and ongoing SWU sales?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, so the NUKEM is of course a 2013 event and so we wanted to disclose a bit of a framework for thinking about it, but keep in mind our quarter one results in 2013 is where we'll indicate the purchase price allocation and the opening balance for that segment. But what I can tell you is that the process of going through and applying value is right across the contract portfolio, HEU included as well as other commitments that NUKEM might have in place.

Edward Sterck, BMO Capital Markets

Great. Thank you very much.

Operator

Once again, if you have a question, please press star one at this time. Our next question is from Tyler Langton of JP Morgan. Please go ahead.

Tyler Langton, JP Morgan

Good morning. Thanks. I think you mentioned in the release that some of the future supply gap that you guys see could be (inaudible) to secondary supplies. Were you thinking anything specific there? And just if could you talk about, you know, how large that could be

Tim Gitzel, President & Chief Executive Officer

Ken, do you want to take that?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Sure. So, you know, we're of the view that secondary supplies will occupy a certain portion of our market for many years to come and it's things like the U.S. government with inventories there over 100 million pounds still sitting there, and while the U.S. government has had some rules in place for that to come to market it's some form of supply coming out of that part of the world we think we have some time to come. If we look into Russia, the end of the HEU agreement, a very substantial source of supply going away, but in addition to the HEU we know that the Russians today, for example, down blend some high-assay tails material and then some other odds and sods that they are in the market, so we essentially assume that the secondary supplies over and above the HEU agreement that are in the market today continue. Will it occupy a substantial portion of the market? Certainly not. When we look at the supply gap that exists between the growing demand line and HEU going away we feel that that needs to come entirely from new mine production. And so is it a growing source of supply? No, it's not. New supply is going to need to come from production.

Tyler Langton, JP Morgan

Okay, great. Thanks. And then just on NUKEM, another clarification. The 3 percent to 5 percent margins; were those sort of EBIT operating margins or are they post-stack margins?

Tim Gitzel, President & Chief Executive Officer

Ken?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Those are EBITDA margins about 3 percent to 5 percent.¹ And I'd like to stress, you know, that's just a forecast, but I think it's a fair assumption today.

Tyler Langton, JP Morgan

All right, great. Thanks.

Operator

Our next question is from John Hughes of Desjardins Securities. Please go ahead.

John Hughes, Desjardins Securities

Thanks, operator. Just, well, two quick ones. On Kintyre, with the write-off now, what is the balance sheet value? I know it was \$346 million to buy it in 2008 but I'm just wondering as we stand going forward following the recent balance sheet adjustment, you know, what do you have in the balance sheet that's left?

Tim Gitzel, President & Chief Executive Officer

So, John, Grant is just searching through his paper here to find that number. Do you have it, Grant?

¹ Please note, a 3 – 5% EBITDA margin is referenced; however, the reference should have been to a 3 – 5% gross margin. Please see page 52 of our annual MD&A for more information.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, it's about 250.

John Hughes, Desjardins Securities

Is that sort of in essence mark-to-market at the end of each quarter?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. Well you do certainly the normal currency translation when you do your balance sheet adjustment, and in this case we valued it using a fair value less cost to sell approach. So that's what would remain on the balance sheet for Kintyre.

John Hughes, Desjardins Securities

Okay, great. Thank you very much. Second question: Uranium One pending going private, I'm wondering what are you seeing in Kazak—do you anticipate any change in production in Kazakhstan as a result of this corporate change with UUU or is there...can you sort of bring us up to date on what you're seeing on production in Kazakhstan?

Tim Gitzel, President & Chief Executive Officer

Sure, John. You know, I don't think this event would trigger any kind of a change to production in Kazakhstan. You've seen them put out their numbers for the year. I think they're just over 20,000 tonne again this year. Pretty stable production over the last three years, holding the line on production there, and so we, you know, we're in constant contact with them and I think they plan to hold their production pretty tight until they can see, like the rest of us, some improvements in the market and more demand.

So for now, you know, I don't think the Uranium One takeover, if you like, by the Russians is going to have any effect on Kazak production.

John Hughes, Desjardins Securities

Okay, great. I'll squeeze one more in if I could, just, um, Japan, with timing on potential announcements on

reactor restart, do you have any feel for that? Is it sort of a summer period? Fall period? Any help would be appreciated.

Tim Gitzel, President & Chief Executive Officer

So what we've heard from them is summer 2013 is when the NRA would have their new safety standards in place and then reactor owners would compare their reactors to these standards and have to be able to convince the NRA that they're ready to restart. So we see mid-2013 as an important period of time where we hopefully will see some new reactors coming on by the end of this year. I think our analysis shows six to eight restarts this year. So, if that's the case, we'd be happy to see that program moving forward.

John Hughes, Desjardins Securities

Great. Thank you, gentlemen, and Alice of course.

Tim Gitzel, President & Chief Executive Officer

Thank you very much.

Operator

The next question is from Eavan Moore of CIM Magazine. Please go ahead.

Eavan Moore, CIM Magazine

Hi. I was wondering, two questions about Canadian exploration activities in the future. You said that you are focusing on expanding your existing projects given the uncertainty so I am wondering a couple of things. First, what would it take to return to exploration on the Turqavik-Aberdeen project in Nunavut? I know that you are not planning to go up there this year but what would it take to return, say, next year or in coming years? Let's just go with that one first.

Tim Gitzel, President & Chief Executive Officer

Sure. So we always look at our exploration budget and what the appropriate amount to allocate to our projects is. We are focusing I think in 2013 more on some of our

brownfield projects with our exploration dollars. We do have, as you know, really a great suite of reserves and resources in hand now, which is only been added to by the acquisitions we made last year, the chunk of Millennium that we got from AREVA, and of course Yeelirrie as well. So we take that all into account when we determine our exploration budget. For the Turqavik-Aberdeen project, that project we've slowed down for the moment. As I say, we're allocating our dollars more to brownfields. Those exploration dollars to some extent are linked to how the business is doing and so we'll look at that going forward. So certainly it is an important project for us, we just haven't allocated a big budget in 2013.

Eavan Moore, CIM Magazine

Second question: The continuing Canadian ban on foreign ownership of uranium mines, do you see this as an opportunity to join in on other projects that foreign companies might be undertaking in the Athabasca Basin?

Tim Gitzel, President & Chief Executive Officer

Well, you know, the non-resident ownership policy has been in place for a long time and I don't think it's inhibited anyone from coming to the basin. Our friends with AREVA are operating mines in Saskatchewan. We see others. We've seen Rio Tinto come into the basin, we've seen many other countries and companies come in, so it doesn't seem to have slowed down anyone coming in. I think AREVA has been happy. They've been getting exemptions to the policy to operate their project. So, for the moment, as I say, it doesn't seem to be slowing down any spending on exploration in Saskatchewan.

Eavan Moore, CIM Magazine

As far as the actual investment on the part of non-Canadian companies that seems to be true; on the other hand, someone like Rio Tinto with their Roughrider project, I'm told that all their current modeling is based on 100 percent ownership model, but are such investments something that you're looking at as potential joint venture opportunities?

Tim Gitzel, President & Chief Executive Officer

You know, we have our hands full in the Athabasca Basin. We think we have covered the best properties up there. We've been there for 30 to 40 years and have really a lot of great projects already and we're only

adding to them. So you'd have to check with Rio Tinto as to their plans with the Roughrider project, but we're delighted with the portfolio we have.

Eavan Moore, CIM Magazine

Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Our next question is from Orest Wowkodaw of Canaccord Genuity. Please go ahead.

Orest Wowkodaw, Canaccord Genuity

Good morning. Just wanted to circle back again around the CRA review of your tax situation. Am I reading it correctly that so far we're just talking about 2007? And what's the risk that they start looking at all the prior years, given that you guys have paid sort of very little tax in Canada for quite some time. I mean how material could this get for you is my question.

Tim Gitzel, President & Chief Executive Officer

Grant, do you want to...?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. Well, you've watched as we've disclosed it in the notes to the financial statements and what we've done there is try to give folks an idea of where the case is at, both from a conceptual point of view, and that is what's being contested, and our view that it is incorrect, as well as where we're building so far to 2007, but it is fair to say that it is a structure that does go on past 2007. It's the structure that we currently use today. Our view is that it's a structure that's correct. So we do say that according to the opinions we get from our external advisors and the view that we have, we take a provision on that basis, and that provision currently at \$63 million is designed to reflect the uncertainties as we see them in the litigation process. But we are careful to say that in the event that

the CRA case doesn't go our way that there would be an impact. But at the moment that's not our expectation and currently that's not the basis of our provision.

Orest Wowkodaw, Canaccord Genuity

But could you qualify that? If the CRA decision goes against you, doesn't that just open up the floodgates here in terms of all prior years?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, there would be a lot of assumptions there behind what the dispute looks like and the process under which we go through the contest, but I think it's fair to say we don't know what their reassessment position is for any given year until they send it to us, and at the moment all we have is 2007. So I'd purely be speculating on what they would be doing 2008 and beyond.

Orest Wowkodaw, Canaccord Genuity

Okay. I guess we'll have to stay tuned. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks Orest.

Operator

The next question is from Brian MacArthur of UBS. Please go ahead.

Brian MacArthur, UBS

Good morning. I have a couple of questions. Just I want to be clear about this. On the NUKEM, you talk about a 3 percent to 5 percent EBITDA in 2013, but I assume in that we obviously have the HEU stuff, which I would think is still the most profitable, does that mean going forward after that we expect that margin to drop or is there something else going on there?

Tim Gitzel, President & Chief Executive Officer

Ken, can I ask you to answer that please?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Sure. Brian, the 3 percent to 5 percent is, ah, we quote that as, as I mentioned earlier, just a forecasted number, and it is beyond the HEU volumes. So, this is beyond 2013 we're saying around 3 percent to 5 percent.

Brian MacArthur, UBS

Okay. So that's kind of an ongoing. And would the sales sort of be similar? I mean obviously it is subject to price but, you know, that \$500 million to \$600 million number, that's sort of what you foresee going forward? Is that reasonable?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

I think you put it well. It is subject to a number of assumptions. But, yeah, when we look at the volumes and, again, some assumptions behind it, we say it is sort of that 4,000 tonne range. So that's correct, Brian.

Brian MacArthur, UBS

And the second thing is you do mention this year you have long-term contracts to purchase 12 million pounds, and I assume that's all ex-NUKEM. That's a reasonably high number and obviously we will get an uptick in the HEU as it cleans up this year. Going forward, because this obviously affects the tax rate we were discussing earlier, you know, is that going to drop like 3 million pounds to 5 million pounds is more what I should be thinking forward and is that sort of what you are basing that tax rate on going forward, that sort of magnitude?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Brian, I'd really hate to quote any assumptions around future purchase expectations. So ex-HEU will always be in the market purchasing. I think that's fair to say. When we think uranium is a good deal we get in and buy. And we will from time to time do that under long-term arrangements as well. But at this point I really wouldn't want to quote any numbers

Brian MacArthur, UBS

Okay. Fair enough. I just was trying to get a feel. Because this obviously looks like a very high number this year, which I assume is more just because of the HEU topping out than anything else. Right?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Right. Yes.

Brian MacArthur, UBS

Okay. Great. Thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thank you Brian

Operator

Our next question is from David Sadowski of Raymond James. Please go ahead.

David Sadowski, Raymond James

Good morning, guys. Thanks for taking my call. Just a couple of questions on production over the next few years. Firstly, can you confirm that throttling back on output from the U.S. ISR is due to permitting, I guess, what you'd sluggishness?

And secondly on Rabbit Lake, with expected production higher there now can you provide any updates as to when you'll be running low on reserves and tailings capacity?

Tim Gitzel, President & Chief Executive Officer

Yep, you're right on the first one. Sluggishness is a good description of the permitting process there. But I'm going to ask Bob Steane to just give an update on both of those matters. Bob?

Bob Steane, Senior Vice-President & Chief Operating Officer

Yeah, David, as Tim said, that's exactly right, that our hopes and aspirations in the U.S., permitting is running slower than we anticipated and it continues to kind of stay even and slightly increase as we go forward.

The Rabbit Lake, I think our latest reserves, we've got about 20 million pounds of reserves and on current production we've got four or five years of production, something like that, under what we have in our existing reserves.

David Sadowski, Raymond James

Okay. And what about the tailings capacity? Is that affected by this uptake in production expectations there?

Bob Steane, Senior Vice-President & Chief Operating Officer

Actually no, the tailing capacity, existing tailing capacity is adequate for the existing Rabbit Lake reserves. A big change there has been the change of the Cigar Lake northern strategy implementation with Cigar Lake all going to JEB mill, McClean Lake JEB mill for processing. That's freed up some space at the Rabbit Lake site. Plus, we've had some reasonable success with process improvements getting better densities in the tailing have added some more capacity as well and some success in thawing some ice lenses. So all in all we are good for the current Rabbit Lake reserves in the existing Rabbit Lake pit. That said, we are undergoing an environmental assessment for an expansion, should we need it, so we're continuing, if you follow the regulatory process, we are continuing with our application, doing the environmental impact statement for the expansion, and so we will have that in place. Should we need it we will be able to deploy.

David Sadowski, Raymond James

Thanks very much.

Tim Gitzel, President & Chief Executive Officer

Thanks Bob. Thanks David.

Operator

The next question is from David Paddon of Canadian Press. Please go ahead.

David Paddon, The Canadian Press

Hello. I'd like to just revisit the Kintyre write-down. And I appreciate that in your view it was a good deal at a fair price when it was done but can you explain why, you know, or when you think it will start to pay off as far as in the current situation following the Japanese problems with the nuclear industry and how it's spread out?

Tim Gitzel, President & Chief Executive Officer

Thanks, David. So, as you know, that property was acquired in 2008, and 2008 was a different lifetime, quite frankly, in our business, pre-financial meltdown, pre-Fukushima, and so it's a good project, it remains a good project. There are significant resources there that we're planning on exploiting in the future but right now in the market you've seen us put out numbers that we need higher uranium price or more pounds or preferably, as I say, both. And so we were working on that this year. Our drill results around the ore body weren't as encouraging as we'd hoped so we've put it into our bullpen for now but, you know, we'd have to see an improved uranium market to pull that project back out.

David Paddon, The Canadian Press

So can you give me some sense of how much improved, like in terms of either the price or the demand or something to that effect?

Tim Gitzel, President & Chief Executive Officer

Yeah, I think we said, we used the number of \$67 a pound would make that project interesting. So somewhere in that ballpark. And you've seen, if you follow the market you've seen others, our competitors, using \$75 to \$90 or \$84 or somewhere in that market, and we wouldn't dispute those numbers, I think something certainly north of where it is today, but in the \$60 to \$80 range would start to get people interested in moving projects ahead.

David Paddon, The Canadian Press

And just on a global big picture point of view, some places cut back on their atomic energy programs or said they were going to after Fukushima and of course Japan had to shut down theirs and are preparing to restart; where is the overall demand or health of atomic energy today compared to prior to that disaster and how long do you think until confidence is restored to that level that it was before that problem?

Tim Gitzel, President & Chief Executive Officer

So clearly Fukushima has had an effect. There has been a pause really to look at the reactor standards and safety. And there are some high profile countries like Germany, who had 17 reactors operating before Fukushima, quickly shut down 8 and are just running 9 now in plan to phase out over time, and we will watch how that unfolds. What gets a bit lost though is the continued growth that we see, especially in Asia. You know, China today I think has 29 units under construction, 16 operating, and plans for dozens more by the end of the decade. South Korea continues to grow, India is continuing to grow, and we even see now countries in the Middle East like the United Arab Emirates with 4 units under construction. So we see growth. We see 3 percent growth. As I said in my opening comments, over the next 10 years, 3 percent per year. That's significant growth. And at a time when supply of uranium is today balanced but going forward you lose 24 million pounds of HEU starting next year, you have projects, including ours, the Kintyre piece we just talked about but I can name many others, that have been put on the shelf that has been non-economic in this market. So we think those fundamentals are good for Cameco and for the uranium business. And we're still growing. We're growing from the 22 million pounds we produced in 2012 to 36 million pounds in 2018 to be ready exactly for that growth in the market.

Operator

The next question is from Fraser Phillips of RBC Capital Markets. Please go ahead.

Fraser Phillips, RBC Capital Markets

Thanks. Good morning. Just two points of clarification. One, Ken, with respect to NUKEM, I heard the volumes, I

think you were asked a similar question twice, I got the volumes from both as the same but I thought you had said originally that the margins that you've quoted for 2013, because they necessarily included HEU, would go down, be somewhat lower going forward, and I didn't think I heard that the second time. Sorry. So I just got to get that clear.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, a fair clarification, Fraser. It's that the 3 percent to 5 percent, which again is a fairly rough number, we're just saying that we were assuming that as an ongoing trading margin that the NUKEM business could make on those volumes. But it does not include the HEU. So don't use that number for 2013. We'll just use it for beyond.

Fraser Phillips, RBC Capital Markets

Okay, thank you. Then, Grant or Tim, just with respect to the tax situation again, the current litigation, does it only cover 2007 assessment or does it cover the prior assessments as well?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, so in 2008 is when the dispute began with the CRA and right now it covers the period 2002 to 2007. And as the CRA gets close to the statute of limitations, if you will, on a year to be assessed, they've been rolling in subsequent years. So we're at 2007 now. As I had mentioned on an earlier answer, we don't know what the assessment looks like until it arrives, so for 2008 or 2009, we wouldn't receive that probably until the end of the year. So at the moment it's just the periods 2002 to 2007. And of course what we're working on is our case to say the governance structure was right and therefore within that governance structure the transfer price methodology was correct and our view results in the \$63 million provision that we take reflecting the uncertainties of the litigation process.

Fraser Phillips, RBC Capital Markets

So does the \$63 million sort of represent potential, heaven forbid you lose the case, would you have to pay the further 50 percent you haven't already had to pay for those prior years and is the \$63 million that sort of estimate?

Grant Isaac, Senior Vice-President & Chief Financial Officer

No, the \$63 million comes from an assessment that we do on the transfer price methodology whereby you would make sure you're using a credible third-party expert to derive a population, if you will, of transfer price agreements. I mean what we are trying to do is you are trying to model would an actor at that time with that information have signed that transfer price agreement. So was it sufficiently or reasonably arms length. And as we model that we just make, we then bring out the data set to say that the agreement is certainly or the agreements we've entered into do represent that population, but recognizing that these types of disputes come with uncertainties we better take a bit of a provision to account for that. So it's from that perspective that the provision is taken. With respect to the cash taxes that are now being paid as part of the assessment, well because we view that our position is right we expect to recoup those.

Fraser Phillips, RBC Capital Markets

Yeah, and likewise if you, as I say, heaven forbid you lose, would you have to repay or pay them the other \$27 million plus? Are there outstanding amounts for the previous years' you'd have to pay?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well those would have been—those would be covered with the tax loss carry-forwards that were applied against those assessments in the first place.

Fraser Phillips, RBC Capital Markets

Okay. So you applied the full amount, not the 50 percent?

Grant Isaac, Senior Vice-President & Chief Financial Officer

No, still against the 50 percent of the reassessed amount.

Fraser Phillips, RBC Capital Markets

So if you lose the case do you to pay the other 50 percent?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, if that were the situation, but that's of course isn't our expectation and not the basis of our provision.

Fraser Phillips, RBC Capital Markets

Okay.

Operator

Our next question is from Emily Meredith of Nuclear Intelligence Weekly. Please go ahead.

Emily Meredith, Nuclear Intelligence Weekly

Hi. Thanks for taking the call. My question is just how does this 3 percent growth in uranium demand take the Japanese situation into account? For instance, if they don't come on for more years than you expect does it affect that 3 percent number?

Tim Gitzel, President & Chief Executive Officer

Thanks, Emily. That's a good question. And, you know, we've, as I said a little bit earlier, we made some assumptions regarding the nuclear fleet in Japan, and the first one is that we expect six to eight of the units to be restated this year and then growth going forward. The other units to be back on, I think we would estimate that not all of the units in Japan that are existing today are coming back on, but most of them, I think in the 40 units range over the next several years, so that would be our assumption there.

Emily Meredith, Nuclear Intelligence Weekly

Does that affect your growth projection given that they have their stockpiles? I mean when you're talking about 3 percent demand growth for uranium, if they have already got plenty of material in reserves does it affect your 3 percent figure?

Tim Gitzel, President & Chief Executive Officer

No, that's just one of the markets that we're watching. As I said, we're watching very closely, China and South Korea and India and the Arab states as well that are getting into nuclear. So that's an overall, that 3 percent is an overall, taking all of the countries, everyone involved in nuclear into account.

Looking at their programs, studying them. We have people here that study them. We also watch what the other reporters like you and others are saying about it and then we draw our own conclusion. So we think that 3 percent growth is a prudent and reasonable estimate of the growth over time given both sides, the reactors that may not come back on and the new growth.

Emily Meredith, Nuclear Intelligence Weekly

Okay, thanks. And just to follow-up very quickly, what is the margin that you are expecting for NUKEM in 2013?

Tim Gitzel, President & Chief Executive Officer

Grant, do you have that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well what we've said, and I'll just remind you, that NUKEM is a 2013 event for us, and so in quarter one 2013 we'll be putting out our purchase price allocation and our opening balance on that segment. We intend to account for it on a segmented basis. We did acquire and the deal closed on January 9, 2013. So what we thought we would do is put a bit of a framework out for people to think about the gross margin and the cash flow coming from NUKEM. And, as Ken has said a number of times today, from a gross margin point of view, the range, sort of 3 percent to 5 percent for 2013, more indicative of trading volumes. In Tim's opening remarks he'd mentioned that the core business and core value is mining and NUKEM provides some exciting trading opportunities, but those gross margins will be really thought of from a trading point of view of 3 percent to 5 percent.

Operator

Our next question is from John Tumazos of John Tumazos Very Independent Research. Please go ahead.

John Tumazos, John Tumazos Very Independent Research

Two questions if I may. Thank you for taking my question. Allegheny Technologies has a business selling zircon alloys for nuclear plant operation and they laid off half of their crews in January at their operation in the Western U.S. expecting, I guess, poor demand for the zirconium alloys. Could you kind of comment on that vis-à-vis your own quarterly outlook?

And second, there is, I guess, a cult in the physics community that likes the element thorium as a reactor fuel and would you comment as to whether your deposits contain thorium and what you think of thorium as an alternative or supplement to Uranium. For example, if there isn't enough uranium to fuel all the Chinese and Indian reactors coming.

Tim Gitzel, President & Chief Executive Officer

John, thank you for both of those questions. Certainly on the zirconium front we are purchasers of zirconium for our fuel fab business that we run for the CANDU units that we supply. It's pretty well business as usual for us. We have long-term supply agreements with our suppliers for zirconium and so really nothing new there. No change. That's a pretty steady business. Those reactors run and you have good foresight on the fuel they need and the zirconium that we need. So nothing to report on that front.

On the thorium piece, we could talk about that for some time. It is an issue that comes up probably every year at some point. The Indians probably are most advanced on thorium. The Chinese talk about it but no one has really taken it very far. And we certainly don't see it as being, I would say threat to uranium in the near term, and I'd say in the next 20 years I think there is a lot of work that has to go into it to make it any kind of a viable fuel alternative to uranium. So that would be many, many years down the road before that would threaten uranium field reactors.

John Tumazos, John Tumazos Very Independent Research

Do you think that you would want to pursue it as a product if in fact the Asian reactors are more than the uranium market can, the mines can supply?

Tim Gitzel, President & Chief Executive Officer

So certainly hoping for that outcome, that there's more, but at the moment we don't see it. We see enough uranium certainly in the near term. Your question is a good one long, long-term. I think as the Chinese continue to build, and they have very aggressive plans, and other countries build up nuclear as an alternative to fossil fuels, because of, I mean you just have to watch television and see Beijing on certain days, you can't see across the street. There are issues going forward. Climate change, clean air, just security of supply, and we think nuclear power is going to continue to play an ever-increasing role in that, and so that's important, so that's more uranium demand. As I say, right now there's a many years forward supply of uranium. Now that's not in the can, that's in the ground, and those are two different things but, as I say, some countries are looking at thorium as a possibility long, long-term, but not for Cameco.

Operator

Our next question is from Edward Sterck of BMO. Please go ahead.

Edward Sterck, BMO Capital Markets

Thank you very much. So I just had a couple of follow-up questions. First was just going back to taxation. If CRA's position was correct, which obviously I know the assumption is that it's not, what would the expected tax rate be in 2013 versus the full cost recovery of 15 percent to 20 percent?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, I actually don't have that number at hand, Ed. Obviously that's a scenario that I'm not running, because I don't actually think that's the outcome that we're looking at. What we do say, and it's in note 24 of our financial statements, and in there under reassessment, it's Section E, we go through the years that have been covered by this, and then we go through how our provision is set up, and we do note that a resolution of this matter may result in liabilities that are higher or lower than the reserve being the provision of \$63 million. We believe the ultimate resolution will not be material to Cameco's financial position, results of operations, or liability in the years that are covered. We then go on to say resolution of this

matter as stipulated by CRA would be material to Cameco's financial position, results of operations, or liquidity in the years of resolution, and other unfavorable outcomes basically should we lose that case. So our view is that our position is very strong. It's the view shared by our legal counsel obviously. But in terms of what that ultimate impact would be, I don't have that number at hand.

Edward Sterck, BMO Capital Markets

Okay, fair enough. Just one follow-up question then on the reports of a storm in Kazakhstan I think last weekend or just the end of last week, possibly the week before actually. Was there any impact on operations at Inkai and have you any information on what the potential impact to your other operations in Kazakhstan must have been on a sort of production basis and how long it might take to restore power to these sites.

Tim Gitzel, President & Chief Executive Officer

I know Bob has some information on that. There was a storm in the Suzak region, I think around Taukent mostly. Hasn't affected our operations but, Bob, do you have any further information than that?

Bob Steane, Senior Vice-President & Chief Operating Officer

No, I really don't. It did not—other than on the date of the storm, as one would expect, there were some power bumps on the system and we had some very, very short-term power bumps at Inkai, it didn't have any impact or effect on operations at Inkai. And other than what we've all read in the paper and the news briefings, I don't know of what the outcome has been to the other mines around the Taukent area. I just don't know any more than what's already out in the press.

Edward Sterck, BMO Capital Markets

Okay, that's fantastic. thanks very much.

Tim Gitzel, President & Chief Executive Officer

Thanks Ed.

Operator

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

Oscar Cabrera, Bank of America Merrill Lynch

Thank you for taking the follow-up question. With regards to your CapEx I must say that I miss the detail that you provided before but in talking about your growth capital what deposits are you spending this money on in 2014 and 2015 please?

Tim Gitzel, President & Chief Executive Officer

Grant, you want to line up the growth capital?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thanks, Oscar. That's a good question. And you have picked up on a change in disclosure. And when you say that you miss the detail that is something that we are certainly working to clarify as we go through the quarterly reporting. And just for everyone else that may not have noticed it, what we've done in the past as we had growth and sustaining capital to capture our CapEx programs, but we discovered that while it may have been a very pure accounting way to define it, very simply we just said, look, if it doesn't add pounds it was going to be called sustaining capital, even if it was CapEx that was being spent to enable either a sustained level of production, and so what we wanted to do this year was breakout the CapEx a little bit more so you see a definition. And if you think about it conceptually on the horizontal axis is time and on the vertical axis is production capacity and sustaining capital is what's spent to run an asset out on its regular production life, so of course it declines. If you think about that production capacity line being constant, capacity replacement is the capital that's spent to keep at that production capacity level, and growth of course is to move to a higher level of capacity. So with respect to growth, Oscar, what you see in there is a switchover from completing the Cigar Lake project to then moving into McArthur River expansion, because you will note in the last technical report McArthur River expansion had the increase from 18.7 million to 22 million pounds, so by definition that's growth capital. So that's the switchover that you see in growth capital.

Oscar Cabrera, Bank of America Merrill Lynch

Okay. So it's entirely McArthur.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well it's not entirely McArthur, but that would be the bigger weight of it, and then the infrastructure requirements along with it.

Oscar Cabrera, Bank of America Merrill Lynch

Okay. Fair enough. Because then the follow-up question to that is on your profile. I mean we're getting closer to 2018 but 2017 you're showing production of 31.5 million pounds. Where are we getting the balance to get to the 36 million pounds you're forecasting?

Tim Gitzel, President & Chief Executive Officer

Oscar, we have, as Grant said, McArthur River ramping up to 22 will bring us some extra pounds. The U.S. as well is ramping up. And I think we—sorry? Yeah, and we have the Rabbit Lake. So with those pounds, the biggest chunk will come from McArthur River and the U.S.

Oscar Cabrera, Bank of America Merrill Lynch

Basically your existing operations will get you to 36 million pounds.

Tim Gitzel, President & Chief Executive Officer

And we have as well Talvivaara piece that, I'm sorry, I'm just looking through, to add a million pounds. So, yeah, existing plus that.

Oscar Cabrera, Bank of America Merrill Lynch

Okay. Thank you.

Operator

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

Greg Barnes, TD Securities

Thank you. Grant, I hate to go back to this again, but on the tax issue, going forward now if you're really negotiating the transfer price agreements how do you anticipate your tax rate will evolve? To what level?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, you know, you're going to take me out to an area of forecasting that's going to make Rachele very nervous here, Greg, so let me just say that, you know, if you think about it from a structure point of view, long-term supply agreements that allowed us to sign long-term transfer price agreements will move into a new period of transfer price agreements as the old ones expire, so sort of 2016 when the old ones come off, the new ones will come in. Those will be negotiated closer to the markets that we see today versus the markets that we may have saw in the late 1990s for example. You can imagine then that that's going to put upward pressure on our tax. But of course we will continue to structure our sales and our production according to what makes sense for our business needs and meeting the needs of our customers and we will always look then within that business rationale to be tax efficient. So while we will have more production tax effected in Canada, Cigar Lake, McArthur River coming on, and they'll be subject to transfer prices negotiated closer to the markets that we know them today, prices that we know today, but ultimately we will still market in a way that makes business sense for our customers and then look to consolidate a tax position as the net of those two. So, you know, we will guide the market when we have more clarity on what that number is going to be but right now our outlook is sort of the tax positions that you've seen so far are probably the appropriate ones to guide going forward out to the 2016 period.

Greg Barnes, TD Securities

Okay. Thanks, Grant.

Tim Gitzel, President & Chief Executive Officer

Thanks Greg.

Operator

Once again, if you have a question, please press star one at this time.

The next question is from Eavan Moore of CIM Magazine. Please go ahead.

Eavan Moore, CIM Magazine

Hi, I just have what I think are simple numbers questions. The forecast that you're using for the growth in uranium demand, does that include both the amount that would be required to initially stock new reactors and that would be required to keep all operating reactors running?

Tim Gitzel, President & Chief Executive Officer

That's a great question. The answer is yes.

Eavan Moore, CIM Magazine

Second numbers question: You cited the number 64 reactors currently under construction a number of times and I'm wondering—I assume that includes the 29 reactors that China is building, does it also include reactors in Japan?

Tim Gitzel, President & Chief Executive Officer

It does include two units in Japan that are under construction and it does include the Chinese 29, yes.

Eavan Moore, CIM Magazine

I wonder, what other components is going to make that up. It's just it's slightly different from numbers that I've seen estimated everywhere so I am wondering which, what are the points which you differ from, say, the World Nuclear Association?

Tim Gitzel, President & Chief Executive Officer

So I can—we have 29 in China, 10 in Russia, seven in India, four in South Korea, two in Taiwan, two in Japan,

two in Pakistan, two in Slovakia, one in France, one in Finland, the Emirates one, Brazil one, we have the U.S. with one and Argentina with one.

Eavan Moore, CIM Magazine

Okay, thanks.

Operator

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

Brian MacArthur, UBS

Sorry to go back to this tax again but just if you are really clear now going forward, everything you're talking about is ex-Bruce because it's going to be equity accounted going forward. So the tax rates we're talking about are a combination of the uranium business, the conversion business, and the fabrication business. Is that right?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, it is right. So under equity accounting Bruce will just come in as one line item, which will be earnings before taxes. So then there will be a bit of tax effect for Bruce, but the weight of it are the components that you have identified.

Brian MacArthur, UBS

Okay, great. Thank you very much.

Operator

Our next question is from Edward Sterck of BMO. Please go ahead.

Edward Sterck, BMO Capital Markets

Hi there. Sorry, coming back for third round of questions. The first is on Talvivaara. Is the agreement there collateralized on anything or is it just a straight investment on behalf of Cameco?

Tim Gitzel, President & Chief Executive Officer

It's an investment on behalf of Cameco. Ken, do you want to just talk about Talvivaara for a moment?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, absolutely. So we have been, we've obviously made the investment but we've also, under the agreement, providing technical assistance in Finland to see recovery of uranium, and that's all going fairly well.

As you I'm sure have seen, there's been a delay in the environmental licensing, which it looks like will be received in now June of this year. So it could be that we expect or we get a few pounds this year but it could be that it gets pushed into early 2013 as well, ultimately ramping up to somewhere around 900,000 pounds a year.

So today we're looking at as a good source of supply for Cameco as a collateralized. It is an investment but of course there is a provision to have the funds paid back if we don't receive uranium. And it's an off-take arrangement whereby we think it's fairly favorable priced pounds for Cameco's portfolio.

Edward Sterck, BMO Capital Markets

And does the expected uranium production rate require Talvivaara to meet their overall production targets with respect to nickel and zinc and so on and so forth? So the amount of ore that they actually put through the plant. Well not the plant, the heap leach process.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

I think it's fair to say that it is a comingled deposit so on the face of it the answer to that question is yes.

Edward Sterck, BMO Capital Markets

Okay, thank you. And then just one question on Bruce Power. The agreement with the OPA, and I believe also just the licensed operating (inaudible) reactors are beginning to tick a little bit closer, from recollection I think starting towards end of 2015, something like that, that those agreements come to a conclusion, and going on for a few years thereafter. Are there any further thoughts on Cameco's ongoing involvement with Bruce B?

Tim Gitzel, President & Chief Executive Officer

We're always looking at our investments, including Bruce B. I'd just say you're right on, with respect to the floor prices, they do start to come off at the end of 2015 with the first one. That said, Bruce Power is in discussions with the Ontario government about extending those and so we'll just wait to see how that's going. There's, as you know, a lot of political change going on in Ontario. So right now we're delighted with our investment in Bruce. It certainly was a very good piece in 2012 and it will be a good contributor in 2013.

Edward Sterck, BMO Capital Markets

The Bruce A reactors required a fair amount of investment when they were refurbished. If that was—I'm not sure if the Bruce B reactors require refurbishments. Are they in a better situation than the Bruce A reactors were before they were restarted and would costs be similar to the Bruce A process?

Tim Gitzel, President & Chief Executive Officer

I think, ah, first let me say that they will need refurbishment when their time comes towards the end of the decade and so I think they would benefit from the fact, the refurb would benefit from the fact that Bruce has gone through it with the A units. A lot of learnings from there. But the costs would be probably similar to what the costs were for the A units. That's something we'll look at, we are looking at and now, as to how Cameco will react to that when the time comes, but for the moment no change to our position.

Edward Sterck, BMO Capital Markets

Great. Thank you very much.

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

Thank you, operator, and thanks to everyone who has joined us on the call today. It was certainly a robust discussion and we certainly picked up a few themes as well that will try to help out on going forward.

We've certainly discussed a lot of details around our business and the industry in 2012 but I think we can say it really boils down to the three things we talked about at the start of the meeting, and that is that near-term challenges persist for us and the industry; however, Cameco had a very strong year in 2012 and looks forward to a good year in 2013, and that the long-term outlook for the industry continues to be very strong. So, again, thank you for joining us and have a great day.