

## CORPORATE PARTICIPANTS

### **Rachelle Girard**

*Director, Investor Relations*

### **Tim Gitzel**

*President & Chief Executive Officer*

### **Grant Isaac**

*Senior Vice-President & Chief Financial Officer*

### **Ken Seitz**

*Senior Vice-President & Chief Commercial Officer*

### **Bob Steane**

*Senior Vice-President & Chief Operating Officer*

## CONFERENCE CALL PARTICIPANTS

### **Ben Isaacson**

*Scotiabank*

### **David Talbot**

*Dundee Capital Markets*

### **Steve Bristo**

*RBC Capital Markets*

### **Oscar Cabrera**

*Bank of America Merrill Lynch*

### **Greg Barnes**

*TD Securities*

### **Tyler Langton**

*JP Morgan*

### **Michael Wichterle**

*Cantor Fitzgerald*

### **Borden Putnam**

*Mione Capital*

### **Brian MacArthur**

*UBS*

### **Ralph Profiti**

*Credit Suisse*

### **John Tumazos**

*John Tumazos Very Independent Research*

### **Michael Wasserman**

*Moors & Cabot*

### **Emily Meredith**

*Nuclear Intelligence Weekly*

### **Rudy Mueller**

*Tocqueville Asset Management*

### **Parker Quillen**

*Bridger Capital Management*

## PRESENTATION

### **Operator**

Good day, ladies and gentlemen, and welcome to the Comcast 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.

---

### **Rachelle Girard, Director, Investor Relations**

Thank you, Dave, and good afternoon, everyone. Thanks for joining us. Welcome to Comcast's 2013 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 industry, and the outlook for 2014. Grant will follow with comments on the Canada Revenue Agency tax case. 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 question and answer session please limit yourself to two questions and then return to the queue.

Please note that this conference call will include forward-looking information, which is based on a number of assumptions, and actual results could differ materially. Please refer to our annual information form and MD&A for more information about the factors that could cause

these different results and the assumptions we have made.

With that I will turn it over to Tim.

---

**Tim Gitzel, President & Chief Executive Officer**

Well, thank you, Rachelle, and welcome to everyone who has joined us on the call today as we discuss Cameco's annual and fourth quarter results. We appreciate you taking the time to join us today.

2013 was a challenging year but also a year in which Cameco again demonstrated resilience, endurance, and strength. Our financial results are a clear reflection of that. Despite the difficulties in the market we delivered strong and, in some cases, record results, including record annual revenue of \$2.4 billion, record revenue from our uranium business of \$1.6 billion, both of these driven by a record annual realized uranium price of C\$49.80 per pound. That helped us deliver solid adjusted net earnings of \$445 million for the year, which is \$1.12 per share, a 3 percent increase over 2012.

We also had a very strong production year, producing a record 23.6 million pounds and a quarterly record of 7.5 million pounds. I'm sure you won't be surprised to hear that this was largely driven by our McArthur River/Key Lake operations. I often talk about how impressive these operations are but the teams there are truly world class, as they are across all of our operations. This year McArthur River/Key Lake achieved 20.1 million pounds of production, which is the highest annual output from a uranium facility anywhere in the world ever. They managed this achievement safely and responsibly and while continuing to expand into new mining areas and working to revitalize the mill. So that really was a highlight for us this year.

We also had good news at Inkai, where we received government approval to increase production to 5.2 million pounds per year. And we made a lot of progress at Cigar Lake. In December we put the jet boring system into operation, jetted in waste and in ore, and have run the ore through the underground system. We are very proud of this achievement. As we announced in Q4 of 2013, we continue to expect first production from the mine in the first quarter of this year and very much look forward to beginning the ramp up of this world-class project.

On the milling side, over at AREVA's McClean Lake mill progress continues to be made on the modifications needed in order to process the ore from Cigar Lake and the mill should start processing ore by the end of the

second quarter. So we will be happy to see packaged pounds this year, although the volume will be somewhat lower than previously planned since the mill will only be packaging product in the second half of the year. We don't expect any more delays on our end and continue to see good results as the commissioning progresses.

So, some challenges, but overall a strong year for our operations. The biggest challenge in 2013 and for the last three years has been the market. Conditions continued to deteriorate as Japanese reactor restarts did not materialize and we saw some unexpected shutdowns in the United States and temporary shutdowns in South Korea. As a result, demand has continued to suffer while supply has remained stable, which leaves the industry with an inventory overhang and downward pressure on price that has lasted longer than expected. Within this uncertain market environment we have increased our vigilance, keeping a close eye on developments and making changes we think are needed in order to deliver the best value. The decisions we've made so far seem to be working, as our results in 2013 show.

But, we don't believe the fog in the market, as we call it, is going to lift any time soon. There has been little to no improvement on the issues needed to help clear the over-supply and uncertainty the industry continues to face. And we don't believe the answer is to sit idle and wait for improvement, which is why you see us moving away from our target to increase production to 36 million pounds by 2018. Production growth to a fixed target made sense when we had a clear line of sight to the growth in the market from the near term through to the long term, and while we still have that clarity for the long-term picture, we don't have it for the near-term one. In this environment we need to be able to adapt quickly as changes occur in the market. We're not saying we won't grow, but we need to have the flexibility to adapt our production to current market conditions and not be confined by a commitment to a fixed target and a fixed timeline.

The senior management team and I are aware of the challenge this poses for our investors, the 36 million pound target provided a simple picture of our plans for the future, but this change is the best choice for the business until clarity returns to the market, as we believe it will. As we've outlined in our MD&A, you can expect us to continue focusing on our tier-one assets, those assets that provide the best value, and we will continue to provide an annual outlook. In 2014 we expect to produce between 23.8 and 24.3 million pounds. Most importantly, you can expect us to respond when the market signals new production is needed.

You can also expect us to focus on our core uranium business. In line with this focus, we have sold our share in the Bruce Power Limited Partnership. This decision is a reflection of our disciplined financial approach, our focus on our core uranium business, and our goal of providing the best value to shareholders. Cameco's participation in the Bruce Partnership was right for us at the time and has been a good source of cash flow, but we believe that today our best course is to continue investing in our uranium business, because we know there will be a great deal of growth in uranium demand over the long term and that new production will be needed, it's just a question of when.

And when will depend on a number of things, like how long it takes for excess supply to clear the market, like the pace of Japanese reactor restarts, like how existing supply performs and what happens with new supply projects and, finally, like when we'll see long-term contracting resume in a meaningful way. These indicators will not only dictate the timing of demand for new supply but the scale of it as well. In the near term, these issues are certainly making life difficult for producers, but over the long term we think they could make the outlook even brighter than it was previously. Today supply has remained strong but the projects that were expected to provide future supply are being delayed or cancelled, Cameco's own projects included. This means less primary production at a time when we know reliance on primary supply will be greater than ever, as secondary supplies continue to diminish.

While that's happening it's also starting to look like the future level of long-term contracting could be higher than it was in the past because it's not getting done now. In typical times we would see utilities in the market filling their uranium requirements three to five years before they need it. We are well within that window now and the long-term contracting needed to fill those requirements is not happening. To give you some sense of that, over the past five years annual long-term contracting averaged about 170 million pounds. In 2013 only 20 million pounds, or just over 10 percent of reactor requirements, were contracted. That's an order of magnitude less than usual. That difference will need to be made up at some point. So the current market dynamics that are negatively affecting uranium producers could be stacking up to have a positive impact in the future. And of course that's in addition to the unprecedented growth we're seeing in new reactor construction.

We're expecting more than 90 net new reactors over the next ten years. Seventy of those are under construction today. The big question is this: Who has the ability and the resources to weather the near-term uncertainty? I

would say that Cameco has that ability and those resources and that's why you see us making the adjustments we've made. We need to make the best, most efficient use of our resources so that we can weather today's uncertainty, continue to return value to our shareholders, and be ready for future growth in the market.

So, with that, I'd like to turn it over to Grant Isaac, our Chief Financial Officer, to give a brief update on the CRA issue. Grant?

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Thanks, Tim.

We thought it would be prudent to spend just a few minutes on this issue today as we have provided some updates in our disclosure and want to put those into context.

The first thing to note and indeed emphasize is that this is not a new issue and there have been no changes to our view of this case since we first disclosed the dispute in 2008. While we are confident that we will be successful in our case, we have taken a cumulative tax provision of \$73 million to date to reflect the argument that our transfer price may have fallen outside of an appropriate range of pricing for 2003 to 2013. In the meantime, while the case is in dispute, the Canadian Income Tax Act requires certain companies to pay 50 percent of the tax associated with disputed reassessments, including interest and penalties, at the time of the reassessment.

In addition to the net amounts we disclosed previously in December of 2013, the Canada Revenue Agency assessed a \$72 million transfer price penalty for the 2007 taxation year. This is the first transfer pricing penalty we have been assessed and, as with the other reassessments, we are required to pay half, or \$36 million, up front. This penalty is not the result of anything Cameco has done differently. In December, as expected in accordance with the five-year lag we have been facing, we also received the reassessment of our 2008 tax filing, which resulted in us paying an additional \$44 million in January 2014, so to date we have paid a net amount of \$103 million to the CRA. If we are successful in our case, as we believe we'll be, we would expect to receive the full amount back, along with any other payments made while the case is in dispute.

To help you understand the overall picture we have updated our disclosure to include the 2013 tax year using

the methodology we believe that the CRA will continue to apply. I should point out that these are estimates only, since actual amounts will depend on the income reassessed in each year and the availability of elective deductions and tax loss carryovers, but I want to emphasize that we do not believe this will be the likely outcome or that the ultimately resolution of this matter will be material to our financial position, our results of operations, and our cash flows in the years of resolution. Based on our view of the likely outcome of the case, we expect to recover the amounts remitted.

I hope this helps clarify the issue for you. Unfortunately, we can't tell you any more than we have today or what is in our MD&A, as this is a case currently before the courts and it would be inappropriate to do so. We will update you as any material changes arise but we don't expect to have anything to report until we have a decision. The 2003 assessment is expected to go to trial in 2015 and we expect to receive a decision in 2015 or 2016.

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

---

**Tim Gitzel, President & Chief Executive Officer**

Okay, thanks, Grant, and with that we'd like to open it up for questions.

---

**QUESTION AND ANSWER SESSION**

**Operator**

Thank you. Questions will now be taken from investors, analysts, and the media. In order to respect everyone's time on the call today, we will take your question and allow one follow-up question. Then, if you have further questions, please return to the queue and we will get to them after others have had their chance.

If you have a question, please press star one on your telephone keypad. If you are using a speakerphone, please lift 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. Thank you for your patience. The first question is from Ben Isaacson with Scotiabank. Your line is now open. Please go ahead.

---

**Ben Isaacson, Scotiabank**

Thank you very much. You've moved away from a fixed 36 million pound target by 2018 in order to retain some

flexibility; can you talk about how you rank your projects? In other words, as production does come on, you know, what can we expect to see first?

And then, as a follow-up to that, with the Bruce Power sale, the \$450 million, you talked about using that to kind of further your uranium production, but obviously, you know, given how you're moving away from this 2018 target can you reconcile those two statements?

---

**Tim Gitzel, President & Chief Executive Officer**

Yeah, thanks, Ben. Appreciate the question. You know, clearly we don't think that pinning a 36 million pound target on the wall is a good strategy in a 35 pound market, and that's what we really wanted to go away from. That doesn't mean we're not still growing. You know, we mentioned, I think, in our MD&A that we're going to focus on our tier-one assets. Clearly Cigar Lake, ramping that up over the next years to the 18 million pound capacity; McArthur River, you heard the results for this year, great mine. We're looking to move that up to 22 million pounds over the next few years. So we're focusing on that and watching the market.

And we've got, as you know, we've said it many times, a great bullpen, a great suite of projects. We've got Yeellirrie, we've got Millennium and others, and we will watch as the market improves, which we believe it has to go forward, when the right time is to pull the trigger on some of those. And so that's the strategy we're going after now. You know, we have a solid balance sheet with the sale of Bruce. Once that's closed, it'll be a couple months, I think, before that's closed, we will have, I think, maximum financial capacity to weather what's now a fairly uncertain market, but will give us the flexibility to move forward when we need to. So that's where we are today. I think we're in solid shape and I'm really quite pleased with the direction we're taking.

---

**Operator**

Thank you. The next question is from David Talbot with Dundee Capital Markets. Your line is open; please go ahead.

---

**David Talbot, Dundee Capital Markets**

Good morning, gentlemen, or good afternoon I guess. A couple things today. Just starting with Port Hope, you know, the CNSC has recently asked you to halt conversion in Port Hope. Now we note that conversion

sales are down next year. Are these two items related or do real sales for next year reflect a softer market?

---

**Tim Gitzel, President & Chief Executive Officer**

Yeah, I don't think they're—they're not related at all. And I'll get Bob just to say a few words about the incident we had at Port Hope, which is now just being resolved. So just a softer market in the conversion business for 2014 but not related to this last incident.

Bob, do you want to say a few words about that?

---

**Bob Steane, Senior Vice-President & Chief Operating Officer**

Yeah, sure. David, It's Bob Steane. The events in Port Hope were a result of a valve control malfunction. The plant was under control, safe and sound throughout the whole of the event. Our operations stopped the plant and we're in the process of working through what had happened and rectifying the circumstances. The CNSC then asked us to have them, their approval before we restart, and we're in the process of going down that path and anticipate restart in the relative near future.

---

**David Talbot, Dundee Capital Markets**

Okay. So no lingering capital issues there as well, it's something that you could just take care of out of pocket if you were?

---

**Bob Steane, Senior Vice-President & Chief Operating Officer**

No, actually it is a maintenance item. There's no significant capital. There's no modifications to the plant required. It's some reconfiguration of the instrument control system is what's a software reconfiguration essentially.

---

**Operator**

Thank you. The next question is from Steve Bristo with RBC Capital Markets. Your line is open; please go ahead.

---

**Steve Bristo, RBC Capital Markets**

Yes, thanks, guys. My question is on the costs. You had substantially higher costs in the quarter due to unfavourable purchase contracts. The cash cost to purchase uranium was \$37.26 a pound. Do these contracts still exist and, if so, how long do they run until? And, just adding on to that, do they typically affect your results in Q4?

---

**Tim Gitzel, President & Chief Executive Officer**

Steve, thanks, I'm going to ask Grant Isaac to comment on that.

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Yeah, Steve, thank you for the question. You know, I think I would just step back and note that our cost of sales were actually right in line with guidance that we put out at the beginning of the year and then reconfirmed again in our Q3 disclosure.

We had said at that time that our average unit cost of sales would be up to 5 percent higher than the 2012 number. And they came in 3 percent higher. And what was happening there is obviously we did have some purchases come in. These were some profitable back-to-back arrangements that we were able to enter into, as well as some long-term supply, uranium supply agreements that just came due in that Q4 period, but ultimately the year settled out from a cost point of view precisely where we had guided and so no surprises there.

---

**Steve Bristo, RBC Capital Markets**

So I guess this was already included in your guidance and anticipated and so I guess the question is does a similar thing happen next year where these contracts are sort of deferred to Q4 and that's when they're all settled?

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

So our guidance for the full year 2014, it's actually the same guidance that we had last year, it's our average

unit cost of sales up to 5 percent higher in this case than the 2013 end numbers, and this is based on our view of our activities in the 2014 year, and that includes obviously some purchasing activity as well as the production activity.

---

**Operator**

Thank you. The next question is from Oscar Cabrera with Bank of America Merrill Lynch. Your line is open; please go ahead.

---

**Oscar Cabrera, Bank of America Merrill Lynch**

Thank you, operator. Good afternoon, everyone. Just interested in hearing what changed from Q3 of last year to now. Like what was the main thing that you saw different in the market to change your views on having a target in 2018? I mean, you know, Fukushima happened in March 2011 and it's been, I think, a number of quarters of uncertainty, so was there any specific reason you changed your target?

---

**Tim Gitzel, President & Chief Executive Officer**

You know, Oscar, I'm not sure there was any one thing. There was probably a series of things. And I think of Japan, we watch Japan every day here, including the election on the weekend in Tokyo, which was probably maybe a better news piece, but clearly, you'll recall, if you wanted to ask us one year ago what we said about restarts in Japan, we said there would be some back on, and we were wrong about that, and we've quit predicting on that because we just don't know. So taking longer in Japan even though we see it moving forward, NRA in place, Tanaka-san is in charge and, you know, there's a bunch of units lined up to come on. But Japan taking longer. I think the U.S., we're watching that pretty close as well and we're in close contact. We saw some not very positive news out of Exelon I think on Friday or last week just, you know, the competition with gas and the markets are a bit goofy, if you like, down there, and that they could be under pressure to maybe close down some more units. So it's just the, ah, and yet on the supply side, you know, significant supply. It seems to hang in there. We keep supplying into a \$35 market.

So it was probably the combination of a number of things like that that just said, you know what, we like the long-term fundamentals of this market, and when you see today consumption at about 170 million pounds going to 240 million pounds I think is our estimate over the next

ten years, that is good growth, I can tell you. We're excited about that. It's just that this near to medium term is still foggy and we've got to just, we're going to fight our way through it, but I'll tell you we'll be in good shape when the market does turn.

---

**Oscar Cabrera, Bank of America Merrill Lynch**

Great. And then to follow up, just on Cigar Lake, can you tell us what the remaining CAPEX that you have to spend there is and are you still confident you can bring commercial production out of the mill there in the second quarter?

---

**Tim Gitzel, President & Chief Executive Officer**

So I'll speak to the second part while Grant's looking for a number for the first part. Yes, we are confident. The mining piece has gone well for us. We were happy to cut that first cavity of ore in December of last year and that continues. And we've been working with AREVA closely on the mill and the word there is that Q2 2014 for first production from the mill, so no change there. And I'm just looking at Grant to see if he has a number.

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Yeah, Oscar, we've spent, to date, \$1.1 billion in capital at Cigar Lake and we have a remaining—\$1.1 billion, sorry. Rounding down of course. And we're looking at about \$1.3 billion our share. So we do have some remaining CAPEX to spend for 2014. We estimate our share of CAPEX to be about \$130 million, and that includes some work on the McClean Lake mill. So obviously coming to the end of this project. These are capital spends that really have to do with surface installations remaining at Cigar Lake as opposed to the underground facilities. Essentially the construction program is complete underground.

---

**Operator**

Thank you. The next question is from Greg Barnes with TD Securities. Your line is open; please go ahead.

---

**Greg Barnes, TD Securities**

Thank you. Tim, the production target, when I add up roughly 24 million pounds this year, Cigar, your share, will grow to 9 million pounds over the next two or three years, McArthur expansion, your share, roughly 3 million pounds I think, that gets you into the 35 million pound per year range in three or four years anyway, does it not?

---

**Tim Gitzel, President & Chief Executive Officer**

Yeah, if everything remains as is, Greg, that's where we would get to, but we want to maintain the flexibility on that, you know, to see what the market is going to require from us. So, yeah, that's our plan, is to ramp those up, McArthur and Cigar, as you say. I think our share, if we go from about 18.7 at McArthur to 22, I think our share is a little bit less than 3 million pounds, but yeah, you know, if the market calls for it, we'll move to those numbers.

---

**Greg Barnes, TD Securities**

Okay. And the decision to drop that target, is that a message that's focused more on the utilities, kind of the idea if you're not going to support the price then we're not going to produce the pounds so you better do something about the price, or is it really your view that prices will stay lower for longer?

---

**Tim Gitzel, President & Chief Executive Officer**

I guess people can read into it what they like. Like I say, I just didn't think, we don't think pinning a 36 million pound hard target by a certain date in a \$35 market was a good strategy and, quite frankly, and you see others, it's tough. \$35 is not a price that even existing producers, a lot of them, can hit, never mind to incentivise new production. So we just came to the conclusion here that we want max flexibility. We think we've got great world-class assets, tier-one, both operating and in the bullpen, and that we'll watch what the market does and then we'll respond accordingly.

---

**Operator**

Thank you. The next question is from Tyler Langton with JP Morgan. Your line is open; please go ahead.

---

**Tyler Langton, JP Morgan**

Yeah, thanks. Good afternoon. I think you guided that 2014 production was 24 million pounds but then you gave sales volume guidance of 31 to 33 million pounds. Can you just talk about, I guess, where that additional supply would come from, what the costs associated would look like, and then, in terms of selling prices, if it's tied to anything?

---

**Tim Gitzel, President & Chief Executive Officer**

Tyler, thanks. It's Tim. Yeah, we've done that for quite a while, I think, had the sales targets higher than our production targets and, as you know, in the past the big make-up piece for us was the HEU obviously, which is gone now, and so, as we said before, we still have some of those pounds, I think, from last year to sell this year. We have some purchase agreements in place. We have the ability to flex our inventory a bit. So all of those—I'm looking at Ken Seitz to see if he has any additional comments to that. Ken, do you want to add anything to that?

---

**Ken Seitz, Senior Vice-President & Chief Commercial Officer**

No, I think that's it, Tim. It's just watching how Cigar Lake ramps up this year in terms of one of the moving parts, bringing more production into our portfolio, but then leaving ourselves some room for market opportunities as well. We always say that we're in and out of the market buying and selling when we see opportunities to do so and so we expect we'll do some of that this year, and so you add that up with discretionary use of inventories, production, and opportunities, compare that to commitments on the books, and it puts us in that range.

---

**Tyler Langton, JP Morgan**

All right, great. And then just with Cigar Lake, I think ultimate cash costs at full production are in the \$18 to \$19 range. Could you just give us any thoughts on what the costs would look like for the first couple years, in the initial stages, how much higher they might be?

---

**Tim Gitzel, President & Chief Executive Officer**

So, Grant, I think you were going to comment on the last piece. I think we left out a piece of Tyler's question.

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Yeah, Tyler, just reflecting on the cost part of your question, I think you can refer to the guidance, the outlook for 2014 on our average unit cost of sales, because remember we use that single-bucket inventory approach and so all our sources, both purchased and produced, go into the same bucket. So when we guide that our average unit cost of sales up to 5 percent higher than our 2013 number, that's also reflecting the purchases that we have line of sight to. So just wanted to jump in there and answer that cost question.

---

**Tim Gitzel, President & Chief Executive Officer**

Cigar Lake costs?

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Yeah, with respect to Cigar Lake costs, really what'll happen ultimately is a decision to declare commercial production that will be done when the asset is running in accordance with the mine plan using the mine methodology that we have in place, and once that reliable declaration is there we will see Cigar Lake pounds coming into our financials from a P&L point of view. And obviously it's going to be over a small denominator. I mean we're guiding one to three million pounds for 2014 so the first pounds that hit will be higher cost, no doubt about it, as we ramp up to that full production. What exactly that's going to be, I don't know. I think our technical report that you were referencing suggests somewhere around \$60 a pound for those initial pounds to come in. But, as you say, and as you note from the technical report, it does ramp up to life of mine operating costs of \$18.60 a pound, so a very exciting ramp up that's coming at Cigar Lake.

---

**Operator**

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

The next question is from Michael Wichterle with Cantor Fitzgerald. Your line is open; please go ahead.

---

**Michael Wichterle, Cantor Fitzgerald**

Thanks. Good afternoon. This is a bit of a follow-up question once again concerning the 4.4 million purchased pounds during the quarter. If you could just provide any additional colour on how the purchase was done, if you have the breakdown between what percentage was spot and what percentage was contracted out for the previous quarter and if you can provide any clarity on a go-forward basis as well. Thank you very much.

---

**Tim Gitzel, President & Chief Executive Officer**

Thanks, Michael. I'm going to ask Ken Seitz to comment on that.

---

**Ken Seitz, Senior Vice-President & Chief Commercial Officer**

Yeah, so with respect to what percentage is at spot and what percentage not, I mean essentially if we're looking at opportunistic purchases within the quarter they would be all, you know, at the prices at the time in the quarter, so you can assume that we were buying some material at sort of December prices or November prices. With respect to committed purchases, we have very few that are market-related committed purchases. So, in other words, the bulk of them would have been pre-negotiated fixed price or base escalated prices. So that's the breakdown. If we look at 2014 and how it might evolve over 2014, again, we could see some pockets of opportunity in a \$35 market and we will obviously seize on those opportunities when we see them, but writing very few market-related purchase contracts, quite simply because we often find an opportunity to back-to-back them with the sales contract.

---

**Michael Wichterle, Cantor Fitzgerald**

Okay, thanks.

---

**Operator**

Thank you. The next question is from Borden Putnam with Mione Capital. Please go ahead.

---

**Borden Putnam, Mione Capital**

Hi, Tim. Good morning. Thanks for taking my question. Maybe for Bob Steane if I could, Bob, a little detailed question on the reserves here, and you may not have the numbers at hand but I'll throw it out there anyway. On McArthur River, and this is the 100 percent numbers, there was about 100,000 tonnes that moved from probable into proven it looks like and 43 million pounds went out of probable but only 25 recorded to proven. Can you give us a little colour on what works were done to make that upgrade to proven and where in the mine that occurred?

---

**Bob Steane, Senior Vice-President & Chief Operating Officer**

That's, ah, Borden, I think—I don't have all the moving numbers in front of me but that was really from some of the drilling we've done in the north expansion plus some of the changes in mine planning in the existing zone two in the fringes and zone four coming in.

---

**Borden Putnam, Mione Capital**

Okay, I appreciate that, and I'll look closer when the AIF comes out. Last question on Inkai. There were some pretty big, I don't know, drops in tonnes. I won't say losses but drops in both proven and probable. There was sort of 800,000 tonnes that went away but it was only 1.5 million pounds, but then in probable there was about 3.3 million tonnes for almost 5 million pounds. What's going on there at Inkai? I know sometimes the wells don't behave like you would expect, just give us some colour.

---

**Bob Steane, Senior Vice-President & Chief Operating Officer**

Borden, that's more the license terms and license, as we're approaching we have, we see opportunities and expect to increase our leased extensions, but at the moment that's really the driving thing is we're approaching the lease extensions, combined with our production, are the cause of numbers coming, dropping out.

---

**Operator**

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

---

**Brian MacArthur, UBS**

Two questions. Just following up on Greg's question about the growth profile, you mentioned Cigar and McArthur, but how does Inkai fit into this and how much flexibility do you have to pullback from that expansion there with all the agreement for, you know, potentially putting in a conversion plant? And the second question just for Grant, just on this tax thing, you keep mentioning 50 percent cash taxes. Does that continue both for transfer pricing issues as well as tax issues and does that go on for like a number of years so if this gets pushed out you can continue to defer half of it so that the cash component remains at 50 percent?

---

**Tim Gitzel, President & Chief Executive Officer**

Hi, Brian. It's Tim. I will let Grant prepare himself for the tax question. Just on the Inkai and the growth profile piece, I can tell you in 2013 we were delighted to both get approval and be able to produce at the 2,000 tonne level that we've been looking for for some time. That mine just keeps getting better and as they learn how those well fields operate that's going to be a good one for a long time for us.

You know, we're in constant contact with the Kazaks about the future, about expansions. I can tell you they, like everyone else, don't really have a big appetite at the moment for expansions in this market. They held pretty firm. They had some production increase, I think at about a 1,500 tonne year-over-year increase in production, but compared to what they've done over the last ten years that was almost a rounding error. So they're holding

pretty tight. You know, we're talking to them all the time about, you know, what a deal might look like regarding a refinery or conversion, but right now it's not moving very quickly.

So I'll say that and then I'll ask Grant to talk to the CRA piece.

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Sure. Thanks, Brian. The CRA dispute now really covers the years 2003 to 2008 and it's important to emphasize we haven't been reassessed for subsequent years officially, and when we think about those years that we have been reassessed we are required, even though it's in dispute we are required, when we receive that reassessment, to pay 50 percent of that reassessment up front. Up until 2013 we were able to not pay cash taxes by basically using deductions and tax loss carry forwards. In 2013 we started remitting cash to the CRA to make those 50 percent payments. Those 50 percent payments apply to the reassessed income. They also apply to, in this case, a transfer pricing penalty that came for the 2007 year and any installment or interest payments that we have to make. So you're right in thinking that while this is in dispute as they send reassessments, as they send, you know, a penalty in the case of 2007, we're required to pay half of that, and we're just expecting that we'll be using cash to do that going forward. We'll be exercising as many deductions as we can but those were, we exhausted a lot of those out until the 2013 period. So I hope that helps, Brian.

---

**Operator**

Thank you. The next question is from Ralph Profiti with Credit Suisse. Your line is open; please go ahead.

---

**Ralph Profiti, Credit Suisse**

Good morning. Thanks for taking my question. The McArthur River request to go to 21 million pounds this year has been left out of the 2014 guidance; can we assume that you're expecting that approval sort of later on in the year and therefore it won't be reflected this year? And is it possible that we should factor in this type of rolling forward 21 million pounds every year until you get that license approval to go to 22 million pounds?

---

**Tim Gitzel, President & Chief Executive Officer**

Hard to predict, Ralph. Thanks for the question. But we, you know, the regulatory process is what it is. We have to go through it. We think we are in good shape as far as that goes but we will wait to see what the regulator has to say about that. In the meantime we've been using up that, what we call flex production ability that we've had at both McArthur and Key Lake and we're running into the end of that, so we'll see. You know, we put our number out. We'll see how the regulatory process goes and whether we'll get approval but I don't think you can assume it'll be 21 million pounds. We wouldn't make that assumption until we see regulatory approval. And we're also looking to, over at Key Lake, get approval, environmental assessment approval and then licensing approval on an expansion to 25 million pounds, and that's in the works as well. So a couple of pieces in the regulatory hopper, if you like, and we'll just wait to see how they play out.

---

**Ralph Profiti, Credit Suisse**

Okay. Okay. And are you any more confident in the timing of the approval now it seems like the Canadian Nuclear Safety Council has sort of switched or changed the assessment process in terms of which department it goes through?

---

**Tim Gitzel, President & Chief Executive Officer**

Well, you know, we just continue to try and comply with all of the requirements that we have. We were delighted, I'll tell you, one thing that gets a bit overlooked in 2013 is that we received, through the good work of Alice Wong and her team on the SHEQ side and then the operations just through their good operations, ten-year licenses for McArthur River, Key Lake, Rabbit Lake. We got an eight-year license for Cigar Lake. That is huge and I think that's a testament to how safely and environmentally responsibly the operations have been going. And so we think we're in good shape with the regulator. We never, never take it for granted, not for one minute, and we'll go through the process as we have to on both McArthur and on Key Lake and we hope it'll turn out positively.

---

**Operator**

Thank you. The next question is from John Tumazos with John Tumazos Very Independent Research. Your line is open; please go ahead.

---

**John Tumazos, John Tumazos Very Independent Research**

Did the 10 or 20 million pounds of contracts in the past year roughly resemble your normal geographic mix just the one-tenth of normal or were there particular regions that signed and didn't sign? I'm wondering whether we should interpret that some utilities are worried they're going to operate or worried about the price thinking the contract price might converge to the spot.

---

**Tim Gitzel, President & Chief Executive Officer**

John, it's Tim. Thanks for that question. That was very striking for us, that number, you know, the amount or lack of amount, if you like, of long-term contracting in 2013. Just the number was striking. Ken, I'm not sure we've dug into where it came from, I'm not sure we know exactly where it came from, but it must have been just about across the board that contracting was down, but, Ken, I'll ask you to speak to that.

---

**Ken Seitz, Senior Vice-President & Chief Commercial Officer**

Yeah, absolutely, and so, John, as Tim said, the number was so small in 2013 that it's hard to imagine a representative sample of our customers from across the world sort of fitting into that number. In fact, it was really just a few contracts. And so it is certainly not the case that, you know, terms of proportion and where we would see demand coming in a normal year, well, that was not 2013. Obviously the Japanese are not buying and so that's one region that certainly is not in the market, but for the rest of the world it's just too small a number to say that there would have been a representative sample there.

---

**John Tumazos, John Tumazos Very Independent Research**

Thank you.

---

**Operator**

Thank you. The next question is from David Talbot with Dundee Capital Markets. Please go ahead.

---

**David Talbot, Dundee Capital Markets**

Hi, guys, again. You know, Cameco is ready to take advantage of some of these opportunities as they present themselves. You know, amongst other things you sort of have a choice between uranium purchases and uranium project M&A, you know, the latter perhaps having a longer time horizon and maybe being a little bit harder to value. How do you guys prioritize between these two items? Knowing you guys don't really need pounds in the ground right now, what might meet your M&A criteria?

---

**Tim Gitzel, President & Chief Executive Officer**

Well, I'd say on the other side, the uranium purchases, we're always in and out of the market, Ken and his group looking for pounds, and so we watch that very closely. On the M&A side, we're very pleased with the deals we've made over the past couple of years, you know, getting that chunk of Millennium from AREVA that moved us up to 70 percent control, we really like that project. That's going to be a good one. Yeelirrie is going to be a wonderful project for us going forward. So we're in pretty good shape.

You see our reserves and resources, each of them just around the half billion pound mark, add them together and we're in pretty good shape there, so I think we're happy where we're at today, what we want to see is the market improve, David. That would be the best thing for us so we could bring on some of these projects that we have in the wings.

---

**David Talbot, Dundee Capital Markets**

Okay, so should we read through that perhaps incremental production you necessarily wouldn't be

interested in as long as you've got that cash sitting on the balance sheet doing what it needs to do at this point?

---

**Tim Gitzel, President & Chief Executive Officer**

Yeah, you know, we're just focused, as we said, on our existing operations, trying to make them as lean as we can, as productive as we can. We've got a little bit of swing movement with McArthur, Cigar obviously a big, big focus. I can tell you everyone around this table is absolutely focused in on Cigar and making sure we commission that one safely and get that ramp up going. For now that's where our focus is. If the market improves we will have to make some decisions on other projects but for now that's our focus.

---

**Operator**

Thank you. The next question is from Michael Wasserman with Moors & Cabot. Your line is open; please go ahead.

---

**Michael Wasserman, Moors & Cabot**

Hi. Thanks for taking my call. I'm trying to understand where you as the company and the industry might stand hypothetically under a very negative scenario three or four years from now. For example, if there were no progress in Japan, if the price of natural gas stayed under \$4.50 and if the price of uranium stayed under \$35, where do you think things would be and what do you think your mindset and balance sheet would look like at that point?

---

**Tim Gitzel, President & Chief Executive Officer**

Well, we're in, Michael, really good shape. You know we have a contract portfolio that we're quite happy with now that sees us, saw us last year at least closing in on \$50 a pound in a market that's showing about \$35 on the spot market. And we're in good shape if you follow the table through in our MD&A. You'll see we're under pretty good cover for the next several years. So we're happy with that. We're also happy with the fact that we have tier-one assets. You talk about assets, I think of McArthur, I think of Cigar and Inkai, all under \$20 a pound operating cost at full production. So we think we're in pretty good shape to weather a storm. We don't see that storm though we have to be ready for it, as you say. We see it the other way. Chinese today with about 20 reactors in operation, 30 under construction, they say they'll have 60 by the end

of the decade with another 30 under construction at that time. Boy, that sounds pretty good to us. That fits in our 93 net new reactors over the next ten years. So, you know, we hope for the best and plan for the worst, I guess, and that's where we're at today.

---

**Michael Wasserman, Moors & Cabot**

Where do you think the rest of the industry would stand at that point under that hypothetically negative unlikely scenario?

---

**Tim Gitzel, President & Chief Executive Officer**

You'd have to check with them and see. You know, we really concern ourselves with Cameco and what we will look like under numerous scenarios and I think we're in pretty good shape under any of those scenarios, Michael.

---

**Operator**

Thank you. The next question is from Emily Meredith with Nuclear Intelligence Weekly. Your line is open; please go ahead.

---

**Emily Meredith, Nuclear Intelligence Weekly**

Hi. I just have a question on the Bruce Power sale announcement. When you all say that your, um, the sale will help you focus on the core uranium business, are you looking at acquisitions in other aspects of the fuel cycle or is this really uranium mining that you all are speaking about?

---

**Tim Gitzel, President & Chief Executive Officer**

Yeah, thanks, Emily, for the question. You know, I think, as we said, we're really focusing on uranium. We like the supply/demand fundamentals that we're seeing lining up, even though it's taking a bit longer than we had thought and hoped, ah, the response might be a bit sharper, and so we're teeing up for that. We think we've got some great assets that I mentioned, McArthur, Cigar, Inkai, you know, our Rabbit Lake and U.S. operations are producing well for us this year, and then we've got Millennium, we've got Yeelirrie in the wings, so I think we're lined up well for that and we're just waiting for the go signal on those.

---

**Emily Meredith, Nuclear Intelligence Weekly**

And then can you just quickly clarify the earlier response to the question on Inkai reserves and explain what was meant by license extensions causing some of those reserve numbers to drop out?

---

**Tim Gitzel, President & Chief Executive Officer**

I'm going to look to Bob again but, you know, you have to—in cases like that where we have a fixed term, a lease agreement to a fixed date, and you have a production rate approval at a certain rate, you can only count as reserves and resources the numbers that fit within that. So you may have way more resources than that but you have to do the math on your proved production rate and your lease term, and so I think that's what Bob was referring to.

---

**Operator**

Thank you. The next question is from Rudy Mueller with Tocqueville Asset Management. Your line is open; please go ahead.

---

**Rudy Mueller, Tocqueville Asset Management**

Yes, I have a question on HEU down blending and I'm just wondering is any still occurring in Russia or the U.S. or perhaps in other countries.

---

**Tim Gitzel, President & Chief Executive Officer**

Thanks, Rudy. You know, we saw the end of the agreement. We were over in, Ken and I were over in Saint Petersburg in November of last year, watched the last boatload of HEU sail for the U.S., then we were at the Port of Baltimore to see it arrive in December and celebrated the arrival of that. It's a happy/sad piece for Cameco, we've done quite well off of that, yet it's also about 24 million pounds a year onto the market that is now going to have to be replaced with fresh production. So are they going to do more? They've told us they're not. We believe them. We haven't seen any indication that they will. There's no agreement. And I, quite frankly, maybe underestimated the complexity of the agreement we were operating under. That thing was highly negotiated over probably, Ken, five or six years, back-

stopped by the Russian and the U.S. governments, and so that one is over. So if they're doing it, we're not aware of it and we haven't been advised of any plans for them to do that.

---

**Operator**

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

---

**Oscar Cabrera, Bank of America Merrill Lynch**

Thank you, operator. Thank you, guys, for taking my follow up. I just want to concentrate now on the royalties in Saskatchewan, significant changes, and wanted to get how you think or how we should think about the deduction on capital cost. Is that all the capital you're spending on your mines? Is that just development capital? Can you comment on that?

---

**Tim Gitzel, President & Chief Executive Officer**

Thanks, Oscar. I'm going to ask Grant to comment on the royalties.

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Yeah, thank you. So brand new, as you note, Oscar, the royalties were announced in the March provincial budget of 2013 and finally came into effect in January of 2014. So because they're new I can't speak with absolute certainty over what the profile looks like but I would say that there is a broader range of eligible spending that is allowed in this profit-based royalty system and so it does include a broader range of CAPEX that, you know, applied obviously to growth, sustaining or replacement capital as well as CAPEX that we spend in order to install infrastructure in northern Saskatchewan that others can leverage off as well as spending as it applies to our exploration program. So the royalty program is very good news from an investment point of view in Saskatchewan over the long run here. I think it's a 15-year period that it's in place for. So we're very excited about it and it's good news for Saskatchewan.

---

**Oscar Cabrera, Bank of America Merrill Lynch**

And then, if I may just follow up with another question, the 50 percent that you can deduct over the next couple years, how does that work thereafter? Is it, you know, you just apply a random number or is there like a specific percentage that you can...? You know, just trying to figure out how we can model that going forward.

---

**Grant Isaac, Senior Vice-President & Chief Financial Officer**

Yeah, that's a great question, and obviously as we understand that pattern better we certainly disclose it. It wouldn't surprise you that in coming up with a transition plan from an investment-unfriendly regime to an investment-friendly regime it was important for the province to try to find a bit of neutrality from a royalty point of view. So for the next couple of years there are some deferrals. That 50 percent is eligible to come back in 2016. We'll apply that in the most efficient way. But we're not there yet so we haven't seen how that'll actually work but something that obviously when we have better line of sight on it we'll certainly disclose that.

---

**Operator**

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

The next question is from Parker Quillen from Bridger Capital Management. Please go ahead.

---

**Parker Quillen, Bridger Capital Management**

Hi, guys. Thanks for taking the question. I want to revisit, the question was asked maybe a little bit differently earlier, which is the mismatch of the orders of product from utilities versus their annual consumption. The question was asked before if there was a regional component to that. I'll just kind of ask more generally, um, what do you think accounts for that? Is it that the utilities think that they can source their inventories from other utilities that are shutting down or that they are considering maybe not producing in the future or they're trying to be clever about timing? I mean, at the end of the day, what do you think accounts for such a dramatic mismatch of purchasing versus consumption?

---

**Tim Gitzel, President & Chief Executive Officer**

I'm going to ask Ken Seitz to comment on that.

---

**Ken Seitz, Senior Vice-President & Chief Commercial Officer**

Absolutely. So, you know, I would say we're all trying to be clever about timing and that would be true for our customers as well. I'd just go back to the fact that today, like Cameco, well covered through that sort of 2016 period, again, utilities have done a lot of contracting in previous years to be fairly well covered in this timeframe, and so demand continues to be, you know, somewhat discretionary, as evidenced with the 20 million pounds last year. And so in a discretionary demand environment and in a low price environment I think our buyers are looking at their own inventories, looking around the market saying there's no shortage of material in the spot market, should I need some I can certainly go to that market and pick some up, and wait and see how the market unfolds, at the moment being rewarded for staying out of the market and watching the uranium price drop.

So until there's movement on one side or the other of the equation, on the demand side or the supply side, and indeed you're seeing some movement on the supply side and Cameco is participating in that, but until we experience some tightness there, I would say, and as long as demand is somewhat discretionary we have this little bit of a standoff between producers and customers, you know, recognizing that of course utilities will need to step back into the market at some point here and can't play this forever, but, you know, that's what we saw happen in 2013.

---

**Parker Quillen, Bridger Capital Management**

So if I could just kind of clarify and follow-up on that, so what you're saying is you believe it's them just trying to optimize the price that they pay and moving their timing on the edges to do so, it's not, ah, it's not maybe a harbinger of utilities thinking there's a likelihood of not producing in the future and therefore tailoring back their inventory builds.

---

**Ken Seitz, Senior Vice-President & Chief Commercial Officer**

Well, I think what we all can agree on is that we're in an environment where the demand line is upward sloping to the right and so, no, I don't think it's the case that, you know, looking at inventories thinking that those are going to be growing, I think it's more, as you say, optimising the timing of purchases, just looking at their own inventories, inventory policy, how that might be flexed, their view of the market and their own balance sheets and saying when makes the most sense to buy some uranium, and it wasn't 2013. We'll see how 2014 evolves.

---

**Operator**

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

---

**Tim Gitzel, President & Chief Executive Officer**

Well thank you, operator, and thank you to everyone who has joined us on the call today.

In closing, I'd just like to emphasize that providing value has always been and continues to be at the core of our strategy and that is what drives our decision making and we continue to do what we have always done, and that is putting our experience, knowledge, and drive to work to position the company for continued success. That means watching the market closely, delivering strong production safely and responsibly, and always looking for ways to be more efficient. I have to say I'm very pleased with the progress we made in these areas in 2013 and I'm confident we will continue to deliver on our goals in 2014.

So, again, thank you for joining us today and have a great day.

---

**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 your participation and have a great day.

---