

## CORPORATE PARTICIPANTS

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*President & Chief Executive Officer*

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## CONFERENCE CALL PARTICIPANTS

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*Credit Suisse*

**Greg Barnes**

*TD Securities*

**Brian MacArthur**

*UBS*

**Orest Wowkodaw**

*Scotiabank*

**David Talbot**

*Dundee Capital Markets*

**Daniel Rohr**

*Morningstar*

**Oscar Cabrera**

*Bank of America Merrill Lynch*

**Steve Bristo**

*RBC Capital Markets*

**Graham Tanaka**

*Tanaka Capital Management*

**David Wang**

*Morningstar*

## PRESENTATION

**Operator**

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

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**Rachelle Girard, Director, Investor Relations**

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

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

Today's conference call is open to all members of the investment community, including the media. During the 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.

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

Well, thank you, Rachelle, and welcome to everyone who has joined us on the call today to discuss Cameco's first quarter results. We certainly appreciate you taking the time to join us. And I would tell you it's an exciting day here at Cameco. It's Ken Seitz's birthday today, so we'll be celebrating by having some cake after the call.

I'd like to start with our most recent and exciting news, the signing of a long-term supply contract with India. I

was in Ottawa for the signing with Prime Minister Modi, Prime Minister Harper, and our very own Premier Wall and I can tell you this is a landmark agreement for our company. The agreement itself is for 7.1 million pounds of uranium delivered through 2020. More importantly, it's the first step in what we hope is a long relationship with India, a country with one of the fastest growing nuclear programs in the world. They currently have 21 reactors operating and six under construction, which should come online over the next five years. Beyond that they have many more planned as they grow their nuclear fleet from today's 6,000 megawatts to 45,000 megawatts of capacity. That's a huge amount of growth over the long term and we see it as a big opportunity for fuel suppliers like Cameco.

I'll talk more about the market in a moment but first let's talk about our results. Net earnings were down from this time last year when we saw the benefit of the sale of Bruce Power but, for the most part, the decrease was just a result of an accounting treatment. In order to minimize the effect of changes in foreign exchange rates, we enter into foreign exchange contracts. According to accounting rules, we must report the value of those contracts as though they were settled at the end of the quarter, though in most cases they are not. This quarter the strengthening U.S. dollar resulted in a reported loss on those foreign exchange contracts. When we move the impact of the exchange rate, as we do in our adjusted net earnings, we were up from this time last year. That's largely because of the strong performance of our fuel services and NUKEM segments.

On the production side, we were down somewhat from this time last year but we remain on track to deliver on our guidance for the year. The reduction this quarter was primarily a result of an unplanned outage at the Key Lake mill. The good news is the strong performance at Rabbit Lake and Cigar Lake was able to make up for much of it. Cigar Lake continues to be a highlight for us. The jet boring system is performing well and as of April 25<sup>th</sup> we have mined 2.7 million pounds and the McClean mill has packaged 1.5 million pounds. We are still in the learning phase at Cigar Lake but we are very pleased with the results we've been getting and are on track to reach 6 to 8 million pounds by the end of the year.

Of course, we all continue to watch the market closely and there was not a great deal of change there in the first quarter. Japanese reactors remained shut down and the path to restart remains challenging. That was especially evident with the recent court injunction seeking to prevent the restart of the two Takahama units. These reactors that have been approved for restart by the nuclear regulatory authority, these are reactors that have been

approved for restart by the nuclear regulatory authority under their new stringent safety rules; however, a similar attempt at an injection to block restart of the two Sendai reactors, which are currently poised for restart this summer, failed. So, overall, the mix of positive and negative developments brings a little more uncertainty to the process, which we will continue to watch closely. And, for yet another quarter, contracting remained modest, as fuel buyers remain well covered for the time being. However, we've been happy to see the uranium price increase from the low of \$28 we saw last year and show some strength around the \$40 range, but it still remains far below where we think it needs to be to both sustain and encourage new production.

With that said, the long-term fundamentals still look bright with a clear progression of growth on the horizon. Today there are 63 reactors under construction around the world, representing billions of dollars of investment, and significant growth in future uranium consumption. Nuclear energy continues to be an integral part of the world's energy mix, particularly in countries with the most rapidly-expanding economies. China and India are the global front runners with a combined 29 reactors under construction today. I'm happy to say that Cameco has uranium supply agreements with both of these countries that are so integral to the nuclear industry. We hope to build on these opportunities as these countries continue to grow and add even more nuclear capacity to their grids further out in time. So you can see why we remain excited about the future of the uranium market and the future for Cameco.

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

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## QUESTION AND ANSWER SESSION

### Operator

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

If you have a question, please press star one on your telephone keypad. If you are using a speakerphone, please lift 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.

And our first question is from Ralph Profiti from Credit Suisse. Please go ahead.

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**Ralph Profiti, Credit Suisse**

Good afternoon. Thank you for taking my question. Firstly, is there anything that we should read into what seems to be a slowing in the rate at which the CRA has issued notices of reassessments? It was around this time last year that an accelerated rate was anticipated. It doesn't seem to have played out that way in terms of rate. Just wondering if you would agree with that and why.

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

Thanks, Ralph. I'll ask Grant to answer that question.

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

Yeah, it was our expectation last spring when we had received the 2009 reassessment quite early. In the past we'd always received it in quarter four. We received 2009 early last year and we were, it was indicated to us by the CRA that they would increase the rate of reassessments. As a result, we said we expected 2010 to fall in last year. It didn't show up. It didn't show up in quarter one this year. At the moment we're just waiting for it to arrive. In terms of what to read into it, I'd have to redirect you to the CRA.

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**Ralph Profiti, Credit Suisse**

Understood. No, thank you for that. Secondly, since the signing of the supply agreement with Department of Atomic Energy of India, has there been any change in behaviour of the utilities towards long-term contracting? Understanding that these volumes are relatively small but could a few more deals like this create a greater sense of urgency to bring forward contracting activity?

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

Well, we're certainly hoping so, Ralph, but it's a little early. You know, we just finalized that deal ten days ago and so we're, you know, it's an important one. You saw the pounds, seven million pounds, which is important in our portfolio but, you know, not going to overly move the

needle. It's the fact that we got our foot in the door in India and now have relations with them, government to government, company to company. They were over here. We had great meetings with them. I know some of our folks are heading over right away and we'll be regular visitors probably to Mumbai and Delhi and Hyderabad. And so that was the important part for us. So you saw the coverage it got, which we thought was important and, yeah, we think the nuclear world will take notice of that.

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**Ralph Profiti, Credit Suisse**

Understood. Thank you very much.

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**Operator**

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

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**Greg Barnes, TD Securities**

Thank you. Since it's Ken's birthday I'll ask him a question first. So, Ken, what do you think the market opportunity is in India for you? Seven million pounds, like you said, is a start, but where do you think it goes?

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

Yeah, you know, Greg, by every indication we're one of the first certainly western suppliers of uranium into India and we've been there for about ten years now trying to evolve those relationships and I would say now we do have very strong relationships. So if you look at how demand is growing in that country with, you know, eventually 45 gigawatts probably over the next 20 years, we expect that we'll at least be able to maintain our market share in India that we do in every other part of the world. So can we occupy 20 percent in the Indian market? Yeah, I think we can. This is, as Tim said, a great start, seven million pounds, but we'll be heading over there in the not-too-distant future and looking to add volumes to that as well. So the short answer is I think there's immense opportunity there, Greg.

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**Greg Barnes, TD Securities**

Okay. Just as a follow up, you said in the report that utilities are well covered through 2015, globally, and I'm

wondering where you think utilities sit beyond that. And obviously this comes back to the long-term contracting question. I think in the past you've said for the next several years, but how is that evolving, in your view?

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

Yeah, you know, it's evolving every year in that we see utilities, in a sense, continuing to sit out of the market. So far this year we're at about 15 to 20 million pounds worth of long-term volume that's been written. Of course seven of that is ours with the Indian deal. So for all intents the numbers, once again, for the fourth year in a row here, are quite small, which tells you that utilities are not layering on long-term volumes.

If you look at our own commitment levels, we say that we're well covered through 2018 and, again, I think that fairly well mirrors, ah, we're heavily committed through 2018, which I think mirrors the way utilities are sort of covered. And we have seen some activity over this year, I would say, albeit small, and last year where I would say if utilities are stepping in they probably are covering off near-term volumes where people are willing to sell in that timeframe. Further out we just haven't seen a lot of that activity. So if we look out to 2018 and beyond, Greg, we start to see those uncovered requirements starting to open up. And, of course, over time they open up substantially.

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**Greg Barnes, TD Securities**

Okay, thank you.

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

Thanks, Greg.

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**Operator**

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

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**Brian MacArthur, UBS**

Good morning. Just on the CRA, and I suspect this is for Grant, this table in here where you've got a minus 44 it looks like—are you getting money back on this payment?

Or why is that a negative number? Because I thought you had to keep laying cash out at the end of the day.

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

Yeah, Brian, thanks for the question. The amount that we put in is always a net amount, so of course as they reassess us 50 percent of that reassessed amount has been due. As transfer pricing penalties have come along 50 percent of that amount is due, but it's always netted against tax loss carryforwards that we have. Subsequent filings for other years that might have driven a refund would be netted off against that and so, so all that we're reporting is the net number, because that's ultimately what we end up parking with them.

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**Brian MacArthur, UBS**

But is that, I mean I thought the whole purpose of this is they didn't like your structure, so now you're creating negative cash to get some back. Is that forward looking, that minus 44, or does that actually match the stuff that you've already done?

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

Well, so perhaps, perhaps the other way to look at it is we support our structure and we continue to file taxes on the basis of that structure and when we file those taxes you'll remember that in Canada they drive net operating losses, which then drives a refund position. So this is a refund that's assigned to a later period that we've already filed. They've recognized that and then they'll have to go through the process of reassessing it. So it's a year that they haven't yet reassessed but have accepted the filing under our current structure.

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**Brian MacArthur, UBS**

So when you give us these forward numbers, because I don't know if I'm doing this right, but when I look at the 143 that you've done 2003 to 2014 it kind of matches up with what this chart says, but then does that mean of that 165 to 190 you're forced to pay in 2015 you're crediting back 44? I mean I'm just trying to figure out what the cash out the door is.

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

No, we haven't forecasted on the net. So the years for which we haven't filed we haven't forecasted a refund, if you will, for those years. So this just reflects what's actually been filed netted out against what's due as a part of the dispute process.

**Brian MacArthur, UBS**

Okay. That helps. Thanks very much, Grant.

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

Thanks, Brian.

**Operator**

Thank you. Our next question is from Orest Wowkodaw from Scotiabank. Please go ahead.

**Orest Wowkodaw, Scotiabank**

Hi. Another question on the CRA: When do you think you will get some visibility on whether you can use letters of credit to fund these 50 percent payments on the CRA amounts?

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

Well, the process is one where we will wait for the 2010 reassessment to arrive. When it arrives we will attempt to use the letters of credit to secure the 50 percent reassessed amount on that. So, as I said earlier, we don't know when it's going to show up. When it shows up that's when we can hopefully enact that instrument to cover the reassessed amounts.

**Orest Wowkodaw, Scotiabank**

Okay. But it sounds like that's fairly imminent.

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

Well, yeah, I don't know. It could be, maybe not. I mean we thought that the 2010 was going to show up at the end of last year and it didn't, so that's where we are right now.

**Orest Wowkodaw, Scotiabank**

Okay. And is your expectation that the CRA would give you an answer on the letter of credit pretty instantaneously when you try to submit payment with that?

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

Well, I suppose our view is that there really isn't an answer to give. I think it's pretty clear we are entitled to use this instrument for reassessed amounts and so when the 2010 year arrives we would seek to secure that right.

**Orest Wowkodaw, Scotiabank**

Okay. Thank you very much.

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

Thanks, Orest.

**Operator**

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

**David Talbot, Dundee Capital Markets**

Good afternoon, gentlemen. Sales guidance remains at about 31 to 33 million pounds so far but you have suggested that earlier deliveries into India might start this year, so essentially would those deliveries be designed to test shipping and custom brokerage logistics and not really significant enough to move guidance?

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

Ken?

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

Yeah, thanks, David. Yes, we continue to say 31 to 33 million pounds. It is true that we have a delivery in 2015 to India which, you know, if we were maybe in the lower end of that 31 to 33 well now we're somewhere in the higher end of the 31 to 33. Could we surpass 31 to 33 in 2015? That remains to be seen. So for today 31 to 33. Fair points about making a delivery to India and test the shipping routes and all those things, yeah, so we'll be doing that later this year.

**David Talbot, Dundee Capital Markets**

Yeah, okay. Thank you for that. And secondly, McArthur River production, you know, down year over year due to problems with the calciner. Are those issues behind you right now at least until the new calciner can pick up the slack and really do you think you can make up this lost production by year end so, again, production guidance remains intact?

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

Yeah, thanks, David. Bob Steane is here and ready to answer that question.

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

Yeah, David, the short answer is yes, that the problems are behind us. There were a couple of mechanical issues with the existing calciner that we had to take an outage to deal with the problem appropriately. It's done. It's back online and doing fine. So that's, ah, and we still, we believe we will meet our production by adjusting the production schedules going forward. So we'll still meet the production for the year.

**David Talbot, Dundee Capital Markets**

Okay. Thank you very much.

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

Thanks, David.

**Operator**

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

**Daniel Rohr, Morningstar**

Thanks. Could you talk a little bit about the provincial approval process for the McArthur expansion and then how quickly you could ramp to 25 if the market conditions warranted?

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

Yeah, so we have got provincial approvals for expansions in the past. It requires an application to provincial government. They review it. It's normally been certainly a fair process that moves along quite quickly. So I can't give you the exact timelines but we don't think that will be a roadblock in our efforts to move McArthur forward.

**Daniel Rohr, Morningstar**

Okay. And then just switching gears a little bit, what's your sense on the, I guess, longer-term prospect for inland reactor development in China?

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

Ken, do you want to take that one on?

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

Yeah. You know, I think what we would say is that the Chinese are on a program to have their 58 gigawatts by 2020 and have another 30 units under construction after that. You know, where those reactors located both inland and coastal, but those are the numbers that we continue to work with. And, in fact, we were just at a big nuclear conference last week where we had our Chinese colleagues up at the podium reaffirming those numbers.

**Daniel Rohr, Morningstar**

All right. Thank you very much.

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

Thanks.

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**Operator**

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

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

Thank you, operator. Good afternoon, everyone. Just was wondering if you can provide a little bit more context on the increasing CapEx around the McClean mill. You know, it's a \$20 million increase in 2015 but in your comments you said that revised expecting additional expenditures after 2015. Wondering if this is just debottlenecking or if you're expecting a larger sum than what happened in 2015.

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

Yeah, Oscar, Bob Steane. The capital this year, AREVA has advised and put, ah, that they, ah, in, as construction has been progressing and advancing they have, ah, it's been realized that there was additional material, additional piping and electrical that needed to be added to the plant. That needed additional labour. So that's the, that's the cause and that's what's happening at the mill. And the biggest construction piece is this year but they are going through an estimate to see what would the impacts, what may be the impacts on work next year.

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

I mean, sorry, just to clarify, that additional work required in 2016, is there an estimate or a figure that you're working with in terms of an amount or a percentage of the project?

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

At the moment we're waiting on AREVA to come forward with their new numbers, if it changes at all. We're waiting on AREVA.

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

Okay. Understood. And then secondly, you know, in your comments with regards to the supply side and, you know, there have been a number of mines with issues in different continents, in the past you had supplied, you know, what your expectation would be of a deficit. I was wondering if you'd be willing to share that amount based on the, on your core expectation of demand in China with the additions that you talked about in India.

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

Well, just on a global basis, Oscar, you know, we are looking this year at production somewhere in the 155 million pound range. Now that will depend on a lot of things. I mean we talked about some supply disruption which could include our own in the first quarter I guess if you were just looking at that, we were down a bit at Key Lake. We think we'll make that up. You know, some of our competitors have had issues with different circuits in their mills as well, which tells you this isn't an easy game. But overall we expect production probably to be in the 150 to 155 million pound range, consumption 165 I think is our number, so there's a structural deficit, and then it's the secondary market of course that no one knows exactly what that number is that covering so far.

The good news from our perspective is that, you know, the consumption line continues to rise, and we were just talking about it this morning, you know, we're looking at a demand of 230 million pounds, in that range, by 2024 in a market where there's not a lot of new production coming on. You've got Husab, that everyone knows is out there, we're waiting to see how that's going, but other than that there's not a bunch, and we're all working hard to keep our existing production where it is.

So that's what we're working toward every day here, trying to get through these more difficult times but knowing things are looking better going forward.

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

Yes they are. Thanks a lot, Tim.

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

Thank you.

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**Operator**

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

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**Steve Bristo, RBC Capital Markets**

Yeah, thanks for taking my question. I was just wondering if you can remind me if there's any Cigar Lake sales volumes included in your overall consolidated guidance for uranium.

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

Yes, ah, a couple things. One, we have some Cigar Lake baseload contracts which are in place but, of course, for any Cigar Lake production over and above that, that just goes into our bucket of mine supply and purchases and all those things. But, yeah, I think it's fair to say we would be moving some Cigar Lake volume.

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**Steve Bristo, RBC Capital Markets**

Okay, but they only flow through the income statements after commercial production, is that right?

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

Grant?

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

The accounting treatment for it right now, Steve, is a bit interesting. Keep in mind that Cigar Lake has an operating license with it, so while we're marching up towards commercial production declaration the accounting treatment is as follows:

The revenues from Cigar Lake are recognized and the operating expenses are recognized up until the point of our average cost in our inventory. Costs above that are capitalized. In other words, there's no depreciation happening for Cigar Lake. So once commercial production is declared really the only change that you'll see is the addition of depreciation, the non-cash costs from Cigar Lake will start coming in.

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**Steve Bristo, RBC Capital Markets**

Perfect, that helps. Thank you.

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

Thanks, Steve.

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**Operator**

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

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**Graham Tanaka, Tanaka Capital Management**

Yeah, hi. Hi, guys. Just wondering if you could give us a little bit more colour on potential incremental supply out there at what kind of cost levels. It's kind of hard for us to get a feel for that, you know, the areas where supply is maybe shutdown or a higher cost, they've had some other issues, so if you could just give us a little colour as to what current supply is and then how high a price might have to go to sort of be market clearing for additional capacity. Thank you.

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

Yeah, Graham, I would just probably turn to what some of our friends and competitors have said, if you've been following them. You know, to incentivise new production clearly the prices where they are today aren't in the ballpark for that. I'll give you our example. Kintyre, which we looked at back in 2012, I think at that time we were looking at about a US\$67 price just to break even. Now that's three years ago, so you can, I can tell you where that's gone from there. I think you saw some of the others in the 70, north of 70 range, some of the bigger African mines. We've heard 80 to 120 for others. So, you know, that just gives you some perspective. Yes, there is some incremental production that can come on at some of the bigger mines in Canada and Kazakhstan but, you know that's not going to be enough to cover, and after that you're looking at significantly higher incentive prices being required to bring on new production.

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**Graham Tanaka, Tanaka Capital Management**

I'm just trying to get a feel if relative to those costs that you just sort of breakeven levels you gave, how much volume percentagewise are we talking about? Are they



still thin or incrementally talking about how many millions of pounds? Just roughly, if they can sort of put a band on it. Thank you.

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

Yeah, I'm not sure I can do that. You know, we look at projects in terms of kind of what tier they're in. I talked about the Canadian, some of the bigger Canadian production I think of the McArthur/Cigars, and then of course some of the projects in Kazakhstan that would be in the bottom tier. Those are up and going. There's not another Cigar out there in Saskatchewan waiting to go. There aren't. Not in our portfolio or anybody else's. So, you know, incrementally we can, we've talked about moving McArthur up a few million pounds. Cigar, we're just trying to get it up to design capacity over the next few years. Kazakhstan, you know, that would be a good question for Kazatomprom. We know there's room for some incremental production but, again, they're at over 20,000 tonnes. They're not doubling that production there. There's probably some incremental production there in the lower tier of projects. After that it goes up the curve pretty quick. Your African production, and we've seen some of, you know, AREVA's projects, and other projects that are out there where they've stated, like I say, probably north of \$70 to get excited about moving those forward and I dare say they might even be higher now. So there's a fairly healthy spread between projects but, like I say, today's prices, I think I saw the spot in the \$38 range this morning, it's going to have to move significantly from there to get people excited about spending capital on new projects.

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**Operator**

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

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**David Wang, Morningstar**

Hi. Thanks for taking my question. I just wanted to see if you had some colour to add on your ranking of which new mines you could bring on eventually in the long run. I know you're moving forward on environmental approval for Kintyre and, you know, compare that with like Millennium and your other projects, like how would you rank them in order of coming online and when you see those being needed for the market.

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

Well, you know, there's a whole lot of factors go into any one of those decisions and, especially when you're operating in different countries, you know, you're looking at the geopolitical situation, the infrastructure, whether the local community supports you, what the environmental approval process is. All of those things go in and none of them are simple in any country. So you weigh those. In our case, ah, we talked about McArthur; we think that is a huge bonus for Cameco to have received now this approval to go to 25 million pounds at McArthur/Key Lake. We still have to get the provincial approval for that but if you take that project where today we produce in the 19, ah, 18.7, 19 million pound range, to have the approval to increase that by five or six million pounds, I can tell you if you had to go out and buy a project, get it up running, get it to six million pound capacity, that would be a significant piece of work for you and a significant expenditure. So we think we're in very good position with that project.

You know, after that, as I say, it depends. We just got approval for Kintyre, environmental assessment approval to move that ahead; however, as I said earlier, it's not in the money. Not even by quite a ways at this point. We've got a Yeellirrie project. We like it a lot. It's in WA as well. You've got a supportive government there today but no market to go to work on that. Millennium here in Saskatchewan is a nice ore body close to existing facilities, which is a real bonus again. And so I can't tell you really what ordering; You know, if things completely turned around on a dime we would weigh all of those factors, royalty tax rates, all of those things, and decide, you know, if you did one project, which one it would be. But those are the factors that will go into our decision.

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**David Wang, Morningstar**

All right, thanks. And, as a follow up, do you see contracting volumes from China changing much as they're set to bring their fleet online and how far out do you see these reactors contracting for demand right now?

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

Ken?

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

Yes, you know, I think, suffice it to say, that we believe that the Chinese, like the balance of our customers, are fairly well covered at the moment, but of course have a

growing program, and for every reactor that they start building they go and put initial cores in behind that and then however many years of inventory, four years of inventory in behind that. So we do see, well covered at the moment but we also, I can tell you, see the Chinese in the market all time, and so I expect that it will just be normal course contracting with the Chinese as they continue to grow their fleet.

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**David Wang, Morningstar**

Thank you.

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**Operator**

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

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**Greg Barnes, TD Securities**

Thank you. What kind of capital cost is required to get you up to 25 million pounds at Cigar?

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

Yeah, there's probably a lot—

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**Greg Barnes, TD Securities**

At McArthur, sorry, yeah.

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

No, Greg, we knew your question, it's McArthur and, Bob, do you want to just comment on that? The capital cost on moving things?

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

The biggest, Greg, ah, we haven't sat down and done an assessment as to what the cost would be, but there will be incremental costs or incremental changes. We've got, ah, at McArthur we will need to put in additional ventilation and growing that ventilation capacity to support that production. Excuse me. And that's probably the biggest piece at McArthur.

At Key Lake, we've been on the Key Lake revitalization train for some years now and probably the biggest bottleneck in the Key Lake circuit today is the calciner, which we have been working on and should have a new calciner later this year up and going. There are a few other things that we would need to adjust, ah, in the solvent extraction plant some small modifications and crystallization, but it's, as I said, I haven't done a real detailed cost estimate but it's not a big quantum like building a new mine. It's, ah, the delta...

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**Greg Barnes, TD Securities**

Sub \$100 million you think?

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

Well... It's always, ah... Yeah, I don't know, Greg. I don't want to put a number on it but it would be in the smaller numbers, especially when compared with a new facility, to get that additional production.

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**Greg Barnes, TD Securities**

Okay. And just a follow-on, Grant, on the IRS, this is the CRA dispute. I've heard you suggest that the IRS, you're actually encouraged by the fact that they're not disputing the transfer pricing methodology. Do you want to explain that relative to IRS with the CRA and the methodologies and what is and isn't being disputed?

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

Yeah. So we do have a bit of a table in the disclosure back from February trying to outline the differences between the two and when we look at the IRS, the notice of proposed assessment followed up by the revenue agents report, which essentially confirmed the NOPA that we had already disclosed. What we do find very interesting is looking at the 2009 year, and we have a reassessment from the CRA for the 2009 year, we find two tax authorities drawing very different conclusions on our corporate structure, because you'll remember at the heart of the CRA dispute is the belief that our structure is not appropriate. We haven't seen that criticism in the IRS NOPA. Instead, there seems to be support for the structure and in fact it's just the pricing within the structure that is the basis for their assessment. And I

guess at 30,000 feet we just think that's very interesting, that, you know, an equally legitimate tax authority looking at international structures through the same OECD transfer pricing guidelines would draw a different conclusion about our structure.

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**Greg Barnes, TD Securities**

Does that come down though to different tax rules in the different countries or not?

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

Oh, I'm sure ultimately it would but, as I say, there is a set of guidelines out there, the OECD guidelines, that govern the way transfer pricing and these global structures are, should be arranged. Now of course every country has the ability to transpose them into their own domestic legislation but they are international guidelines in order to create a bit of harmony around the world and what we find is two different interpretations sitting side by side for the same 2009 year.

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**Greg Barnes, TD Securities**

Okay. Okay, thanks, Grant.

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

Thanks, Greg.

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**Operator**

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

And the next question is from Orest Wowkodaw from Scotiabank. Please go ahead.

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**Orest Wowkodaw, Scotiabank**

Hi. Thanks for taking my follow up. Just again digging a bit deeper on Greg's question about McArthur moving to 25 million pounds a year, two more questions around that: What uranium price do you think you would need for you to push the green button on that one and how long

do you think it would take to develop it to get the capacity up to be able to produce 25 million pounds.

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

Well, you know, Orest, we won't go on that one on the uranium price. I can tell you what we want to do is maintain flexibility in this market, and that was the change, you'll remember, to our strategy, rather than just increasing our production we said we wanted to be flexible. Flexible up and down. And so this is, ah, McArthur is the upside, if you like, as far as that goes. We'll watch the market to see which way it's going.

We had talked in the past about going to 21 or 22 million pounds by 2018, so this approval now to go to 25 requires us just to go back and see, as Bob was talking about, what's required for capital, what timelines are required to get it to 25. So we'll be doing that work over the next months, because we want to be ready, and Grant said earlier to me this morning, you know, at McArthur we're in the position to spend a bit of capital that you saw, that's for us to be prepared for the future, which we think is going to be pretty good. So we'll be doing that work, Orest, over the next while and to the extent we can keep you posted on that, we will.

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**Orest Wowkodaw, Scotiabank**

So, you know, does that suggest that you might actually put the capacity in place before you actually plan to turn it on?

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

I think I would say we'll take—we are, as you've seen on our CapEx chart, trying to reduce capital, our capital spend as much as we can during this difficult time in the market, and we've had some success on that. That doesn't mean though that we, where we see an opportunity to spend some capital to help us prepare for the future and be ready, we'll do that. That doesn't mean probably today investing in a new mining project, we wouldn't go there I don't think, but where we can, especially at our tier one asset, McArthur and Key Lake, if we can spend some capital now where it makes sense to have the place prepared for the future, we'll do that, and that's a little bit of what you saw with some capital this quarter.

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**Orest Wowkodaw, Scotiabank**

Great. Thanks very much.

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**Operator**

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

And our next question is from Brian MacArthur from UBS. Please go ahead.

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**Brian MacArthur, UBS**

Just following up on Orest and Greg's questions, so can we—is it 18.7 to 25 at McArthur like for set of capital or can we do an intermediate one where you go for a lot less capital from 18.7 to 22 like we sort of talked about before? Are they exclusive or is it a ramp thing? I mean obviously different development at different levels but is there something else that changes the relative function there?

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

I don't know if it's exactly linear, 18.7 to 25 on the CapEx, but I think Bob explained sort of what the bottlenecks are and I would just say we're working our way through that, Brian. I'm not sure we have precise enough information for you today to give that out but, you know, I don't think there's any big fundamental tickets on your way from 18.7 to 25. I would just say we'll, you know, as we see the market evolve we'll certainly give more indications of where we're going with that, but just today, as I say, if we can take small steps that help us be prepared for the future, we're doing that.

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**Brian MacArthur, UBS**

Great. Thanks very much.

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

Thanks, Brian.

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**Operator**

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

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

Well, thank you, operator, and I'll just close by saying that at Cameco we continue to execute our strategy and pursue the goal you heard from us at the start of the year. We want to find ways to remain a profitable, low-cost producer in a challenging environment. And we think we're being successful. We continued to achieve strong production, Cigar Lake is performing well and we believe will be an excellent source of low-cost pounds, our contract portfolio returns an average realized price that outperforms the spot price, and we continue to pursue market opportunities that will serve us well now and into the future, like the ones we signed with China in 2010 and of course our recent agreement with India.

So, with that, I'll say thank you to all of you for your continued interest in Cameco and have a great day. Thank you.

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**Operator**

Thank you. The Cameco Corporation first quarter results conference call has now ended.

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