Cameco Corporation

First Quarter 2024 Results Conference Call

Transcript

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Time: **8:00 AM ET**

Presenter:

Tim Gitzel
President and Chief Executive Officer

Grant Isaac
Executive Vice-President and Chief Financial Officer

Heidi Shockey
Senior Vice-President and Deputy Chief Financial Officer

Brian Reilly
Senior Vice-President and Chief Operating Officer

Sean Quinn
Senior Vice-President, Chief Legal Officer and Corporate Secretary

Dominic Kieran
Global Managing Director of Cameco U.K. Ltd.

Rachelle Girard
Vice-President, Investor Relations

Operator:

Welcome to the Cameco Corporation First Quarter 2024 Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

Following the introductory remarks, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero. Webcast participants are asked to wait until the Q&A session before submitting their questions, as the information they are looking for may be provided during the presentation. The Q&A session will conclude at 9:00 a.m. Eastern Time.

I would now like to turn the conference over to Rachelle Girard, Vice-President, Investor Relations. Please go ahead.

Rachelle Girard:

Thank you, Operator, and good morning, everyone. Welcome to Cameco's First Quarter Conference Call.

I would like to acknowledge that we are speaking from our corporate office, which is on Treaty 6 Territory, the traditional territory of Cree people and the homeland of the Métis.

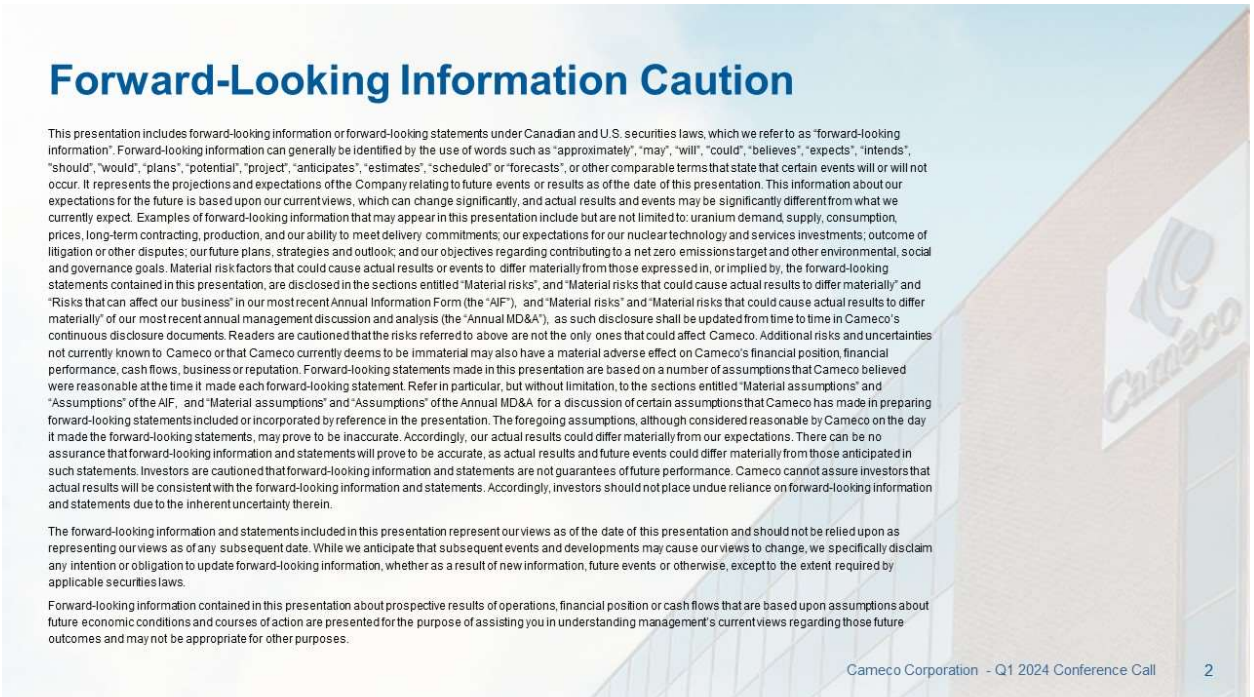
With us today are Tim Gitzel, President and CEO, joining the call today from Washington, D.C.; Grant Isaac, Executive VP and CFO; Heidi Shockey, Senior VP and Deputy CFO; Brian Reilly, Senior VP and Chief Operating Officer; Sean Quinn, Senior VP, Chief Legal Officer and Corporate Secretary; and Dominic Kieran, Global Managing Director of Cameco U.K. Ltd.

I'm going to hand it over to Tim in just a moment to briefly discuss the momentum that continues to build behind nuclear energy, and how the continued execution of our strategy and transition back to our tier-one cost structure has positioned us to benefit from the tailwind. After, we will open it up for your questions. Today's call will be approximately one hour, concluding at 9:00 a.m. Eastern Time.

As always, our goal is to be open and transparent with our communications; however, we do want to respect everyone's time and conclude the call on time. Therefore, should we not have time to get to your questions during this call, or if you have detailed questions about our quarterly financial results, we'll be happy to follow up with you after the call. There are a few ways you can contact us with additional questions. You can reach out to the contacts provided in our news release, you can submit a question through the contact tab on our website, or you can use the ask-a-question form at the bottom of the webcast screen, and we will be happy to follow up after this call.

If you joined the conference call through our website Event page, there are slides available, which will be displayed during the call. In addition, for your reference, a quarterly investor handout is available for download in a PDF file on our website at cameco.com.

Today’s conference call is open to all members of the investment community, including the media. During the Q&A session, please limit yourself to two questions and then return to the queue.



Please note that this conference call will include forward-looking information which is based on a number of assumptions and that actual results could differ materially. You should not place undue reliance on forward-looking statements. Actual results may differ materially from these forward-looking statements, and we do not undertake any obligation to update any forward-looking statements we make today, except as required by law. Please refer to our most recent 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:
Well, thank you, Rachelle, and good morning, everyone. We appreciate you taking the time to join today's call.

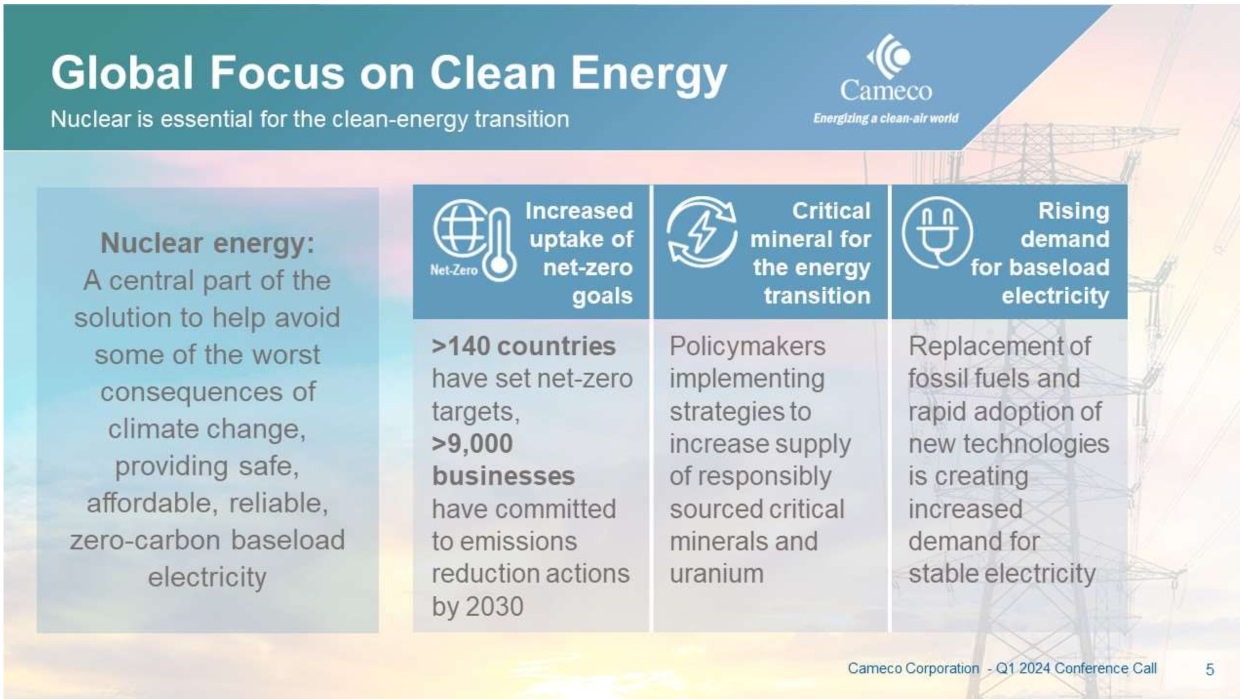
As Rachelle mentioned, I'm joining the call remotely from Washington, D.C., where this afternoon I'll be attending the Energy Transition Metals Summit, hosted by The Northern Miner. In the days to come, we will also be meeting with some of the key policymakers here in D.C. to discuss current and future industry fundamentals, and, importantly, we'll talk about how we're going to translate the significant government and public support for the expansion of nuclear power generation into meaningful actions that generate tangible results to the benefit of the entire planet. As Cameco, and as an industry, we're ready to respond to the global need for carbon-free, reliable and secure nuclear energy for decades to come.

We've said it several times over the years, and it's worth repeating. Our invitation to symposiums and high-level discussions now taking place around the world is a testament to Cameco's deep understanding of how the nuclear fuel market works and acknowledgment of the strong relationships we've established over several decades of experience.

Let me tie together a few key themes today before we get to your questions.

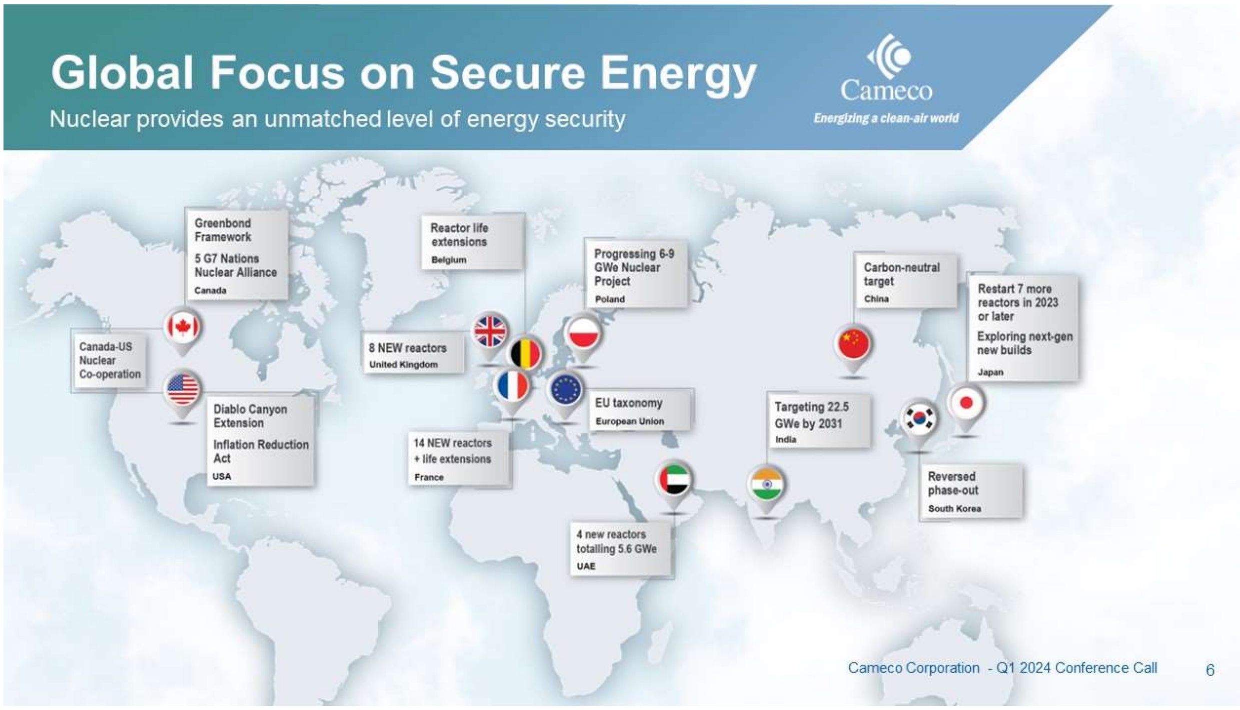
First, nuclear is being recognized by governments, power suppliers and industrial power consumers as a carbon-free energy source that is key to net-zero and energy security. On that basis, Cameco, along with our investments in Westinghouse and global laser enrichment, is key to the nuclear industry and, therefore, key to the path to net-zero. Within that broad positive demand context, and in the face of uncertain supply, our strategy and experience provide us with unmatched leverage to add significant long-term value, while ensuring strong downside protection, and our results so far in 2024 remain on track for delivering that value and establishing that protection.

Thinking back to this time last year, we were highlighting 18 months of growing momentum and interest in the nuclear space and in Cameco, and I can absolutely say that now, 12 months later, the interest and positive outlook have only improved. I would even qualify that further and say it has improved significantly.



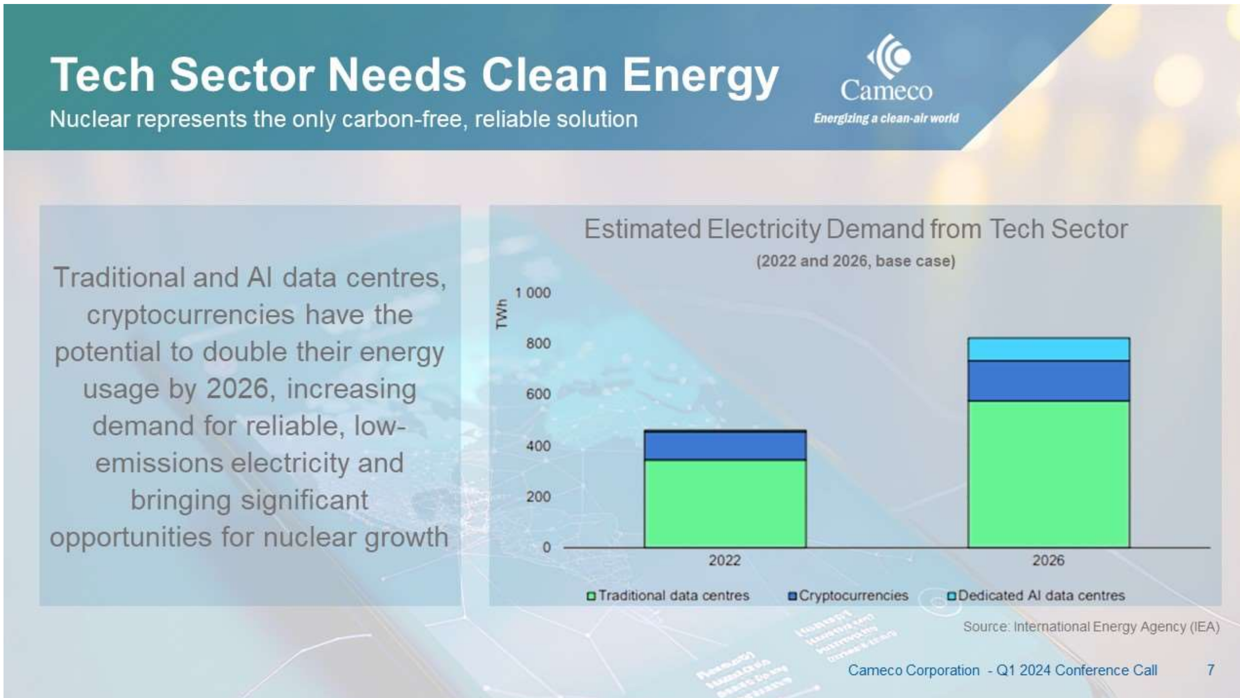
First, it's improved based on the impact of the global emphasis on clean energy. We believe nuclear power is essential for the ongoing clean energy transition. If the world is going to meet its net-zero targets, we need carbon-free baseload and dispatchable power that can be located where it's needed and is always available and consistently reliable.

I don't need to tell you that nuclear is one of, if not the only energy source, that meets all of those requirements, and we don't just need a bit of it, we need a lot of it. From a sustainability and scientific perspective, both the international community and large power-consuming industries are calling for a tripling of nuclear energy from where it is today, and if we are to follow that path, it means a very significant increase in the number of new builds on the horizon, translating into significant value across the fuel cycle and reactor lifecycle.



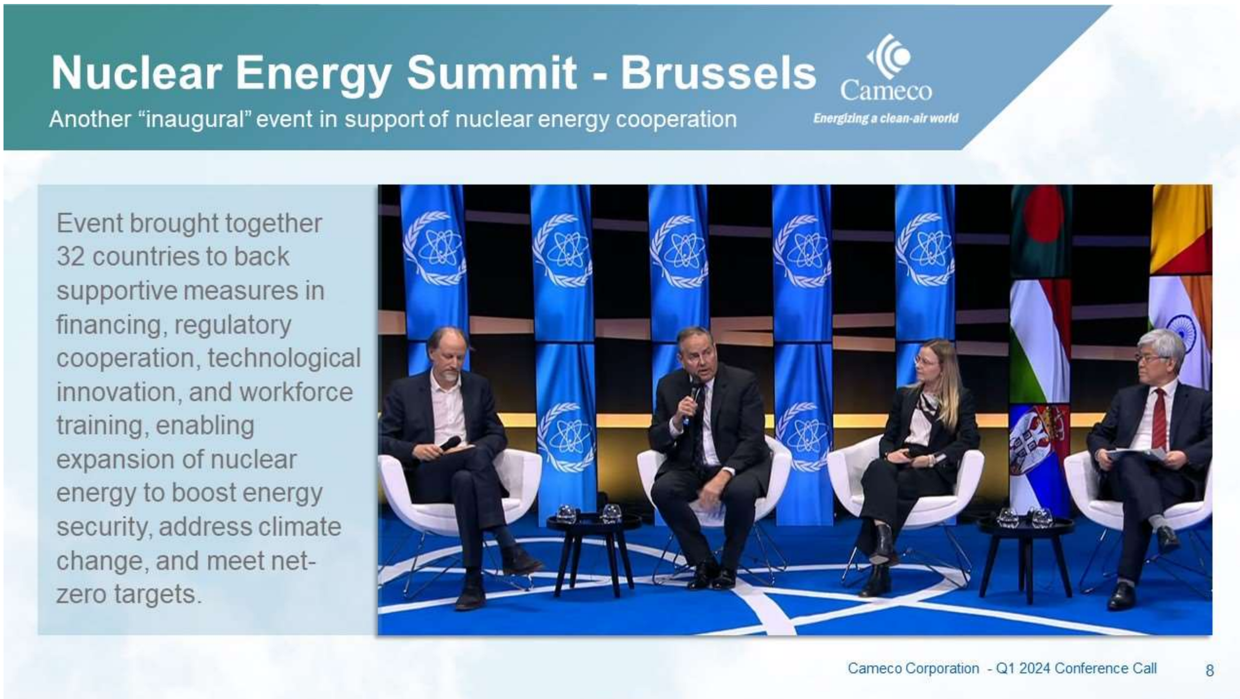
Next, the outlook has improved based on today's focus on secure energy. Nations must ensure that their critical energy infrastructure and fuel supplies are not excessively reliant on risky jurisdictions, unreliable partners and unstable actors, and, again, nuclear checks those boxes. Fuel supplies and services for nuclear energy are sourced from multiple safe jurisdictions and suppliers in the Western world, and the nature of the fuel itself allows for long-term inventories and storage.

Not only can you keep years of reloads behind a reactor, but that reactor can provide carbon-free and reliable energy for months without refueling, giving governments and utilities a runway to adapt should circumstances change.



Finally, keeping both clean energy and energy security in mind, the outlook is more positive in the context of the current debate around AI data centres and the considerable energy needs that are coming with the rapid evolution of technology. I recently read that using generative AI to provide search results in the same way we use Google requires a tenfold increase in power requirements; 10 times and gone are the days of rolling out new technology without worrying about future potential runway environmental impacts.

Companies driving the technology forward are doing so while keeping carbon footprint and 24/7 reliability top of mind, and, again, nuclear is the clear winner. You don’t even have to take my word for it. We’re seeing both industrial power users and tech sector experts voicing support for nuclear energy, with some now taking action and signing agreements to ensure their facilities can access zero-carbon and reliable nuclear energy now and into the future. Clean and secure electrons are on the critical path for the generative AI development, putting nuclear, and Cameco, on the critical path to the digital revolution and strategic reindustrialization.

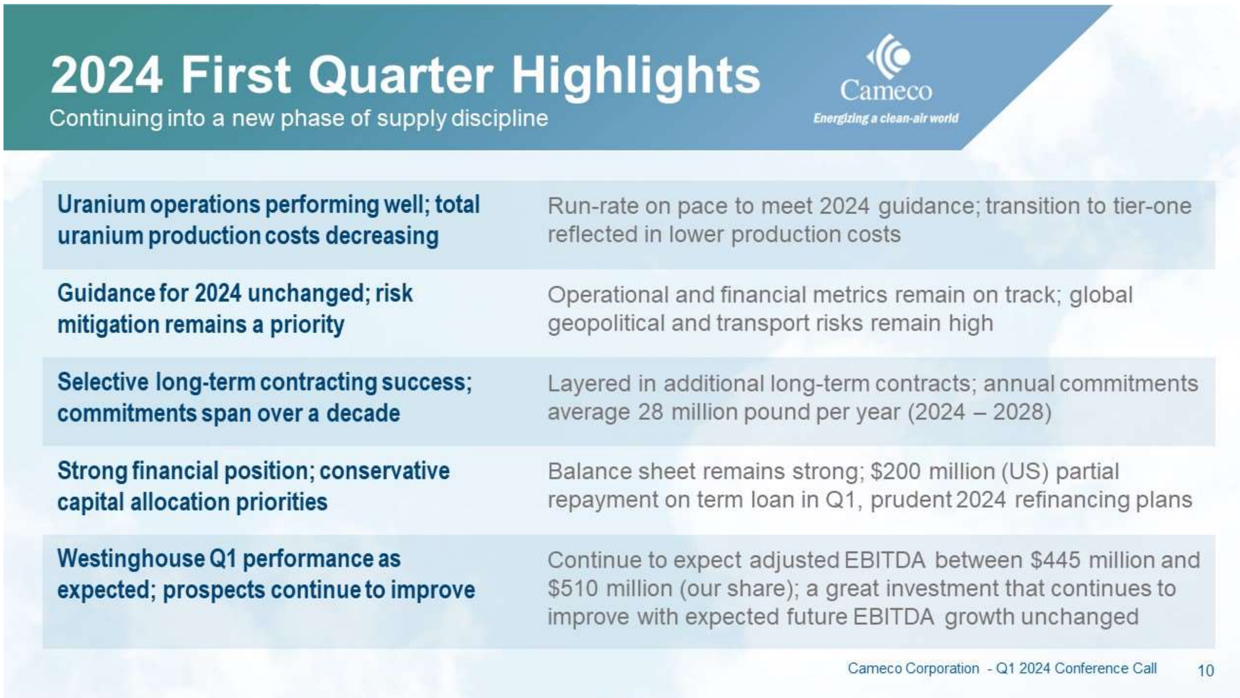


Grouping all that together, it is clear that we need to deploy zero carbon, global and secure energy production to move the world forward, and the world is now acknowledging the benefits of nuclear.

I attended the inaugural Nuclear Energy Summit a couple months ago, which took place in Brussels, with Presidents and Prime Ministers from 32 countries. The goal was to join forces to back supportive measures in areas, including financing, regulatory cooperation, technological innovation and workforce training, enabling the expansion of nuclear power to help boost energy security, address climate change, and meet our collective net-zero targets. Because, as I said, without nuclear, there is no net-zero, without nuclear, there is no global and secure energy, and without nuclear, the next generation of energy-intensive technologies could result in increasingly detrimental environmental impacts. Nuclear is key to addressing those challenges, and that's where Cameco comes in, playing a key role in current and future power generation.

We believe that at Cameco, we have the right strategy, the right people and the right assets to deliver long-term value. Along with our investments in Westinghouse and global laser enrichment, we expect to benefit significantly from the tailwinds, from the front end of the fuel cycle and through the reactor lifecycle, from fuel supply to plant services, to new build and advanced reactors. We've never been in a better position, with licensed and permitted brownfield assets in safe sovereign jurisdictions and the capacity to grow to meet our commitments. The future looks bright.

Turning briefly to the quarter, our first quarter performance was as expected, highlighting the benefits of aligning our operational, marketing and financially focused strategy in a market where we are seeing that persistent positive momentum for nuclear energy like never before. The run rate at our operations is on pace to meet our annual production guidance.



Operationally, our production results in the first quarter were strong and on track with our 2024 plans, with production rates and total production costs in our uranium segment continuing to reflect the transition back to our tier-one cost structure. In fact, we didn't change our 2024 operational or financial guidance metrics in any of our business segments after the first quarter. However, we can't overlook the geopolitical events that have been amplifying global supply chain and transportation risks. Those risks have continued to have a significant impact on nuclear fuel procurement strategies and the fuel cycle, especially in terms of transportation, which is not getting any easier. It's an elevated risk, that we have a team focused on each and every day, and as it evolves, our stakeholders can be confident that, as always, Cameco will be transparent with our related disclosure.

In the market, we continue to be selective in committing our unencumbered tier-one inground uranium inventory and UF6 conversion capacity. We don't focus on the small, irrelevant spot market, but on high-quality term demand, where the majority of uranium fuel and services are secured. In Q1, we successfully layered in additional long-term contracts, increasing our annual commitments to an average of about 28 million pounds per year from 2024 through 2028. Every contract we add reflects the sentiment and dynamics in the market at the time it is negotiated. In today's market, that allows us to take those price peaks and carry them into the future, creating value for years to come, while maintaining significant downside protection for when the cycle turns.

From a risk-managed financial perspective, our strong balance sheet and the expectation of strong cash flow generation tied to our contracting strategy guides our conservative capital allocation priorities. In 2024, that includes focused debt reduction and prudent refinancing plans.

As for our Westinghouse segment, results for the first quarter were as we expected and as guided in Q4, and we continue to expect our share of Adjusted EBITDA from Westinghouse this year to be between $445 million and $510 million. It was, and is, a great investment, where the prospects continue to improve, and where we still anticipate EBITDA growth at a compound annual growth rate of 6% to 10% over the next five years.

I'll stop there. Thank you for your interest today, and we are happy to take your questions.

Operator:
We will now begin the question-and-answer session. In the interest of time, we ask you to limit your questions to one, with one supplemental. If you have additional questions, you are welcome to rejoin the queue. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw from the question queue, please press star, then two. Webcast participants are welcome to submit questions through the box at the bottom of the webcast frame. The Cameco Investor Relations Team will follow up with you by email after the call. Once again, anyone on the conference call who wishes to ask a question may press star, then one at this time.

Our first question comes from Neil Mehta of Goldman Sachs. Please go ahead.

Neil Mehta:
Yes, good morning, team, and thanks for the time and the big-picture thoughts. I had a couple specific questions, one on Westinghouse. You reiterated the annual guide, but the Adjusted EBITDA did look a little softer in the quarter; a lot of that was on margin, so can you just walk us through the seasonality of that business? What gives you conviction on the full year, and any colour you can provide on that segment?

Tim Gitzel:
Yes, thanks, Neil, and thanks to you for your participation on Cameco, we appreciate it. Listen, I'm going to turn this over to Heidi Shockey, I think, just to talk about the EBITDA in the quarter and for the year. It was a special quarter in that regard, with the purchase price allocation work that to go on there. I'd just say, in general, I can tell you we're delighted with the whole Westinghouse piece. It's even better than we thought when we bought it. The potential there in all elements of their business is really good. Yes, there's some accounting pieces that came up in the quarter.

Heidi, can I just push it over to you, just to give us a little bit of an overview of Westinghouse on the quarter and the EBITDA and our guidance for the year there?

Heidi Shockey:

Sure, Tim, thanks. Yes, there were a few accounting pieces that impacted our results this quarter for Westinghouse, the first of which is really to do with the purchase accounting. We had to fair value our assets and our inventory when we had the acquisition, and so, generally, we're going to see higher amortization on the asset balances and the intangible assets. On the inventory side, all the inventory that they held on the date of acquisition would have been fair valued, and so, as they sell that off, you won't see any accounting margin on that. We still get the cash flow, of course, but the margin, in terms of results, is very low. A lot of that inventory will be sold off here in Q1 and Q2, so you'll see that diminish over time. Then, of course, we had some acquisition-related transition costs that also hit the quarter, and those were also—will come off over the course of the year. But, in terms of their operations, there's also seasonality to their operations. The outage season is in the year. Typically, near the end of the year, you'll see higher results, just really tied to that outage season, where they do a lot of work for the utilities.

Neil Mehta:

Thanks, Heidi and Tim. The follow-up, big-picture question is just on long-term price. We've been tracking on your website the term price grinding here, from $68 at the end of last year, up to $77.50, and just your perspective on conversations you're having with nuclear buyers, and do you still see upward pressure on term price in your conversations?

Tim Gitzel:

Yes, Neil, I'm going to turn it over to Grant, who looks after the marketing shop and sales, but I can tell you we are seeing it bump along—well, it's gotten more than "bump along". If you go back a year or two, we weren't anywhere near the $75.80 average, $77.50, on the term price. We're just, as Grant has said many, many times, I think, in the early innings of this game. You just see overall the—these conferences, where you're talking tripling nuclear power over the next 25 years, some would say, "Well, that's never going to happen." "Okay, well, it's double then." Then, you say, "Well, then, we need all the uranium that we've got now and doubling it again."

The pressure is going to be there on the price. We haven't hit a price, I think, an incentive price for new production. We're not seeing a whole lot; we're seeing a little bit coming out. Yes, the pressure's going to be there for, I think, a long time to come.

But, Grant, let me turn it over to you, you're the better expert on the market.

Grant Isaac:
Thanks, Tim. Neil, great question, and thank you for focusing on that term market, because that really is what to watch in order to figure out where this market is going. The term price remains in a constructive build, and that is very simply because we are seeing this continual pivot to more security of supply contracting. The contracting where utilities become increasingly concerned about the availability of future supply, that concern is reflected in some important contracting characteristics. You've heard me talk about them before.

Number one is tenures go up. Utilities come to the market and they're looking for more material over a longer period of time, and then you start to see volumes going up, not just because more years are being added, but utilities are taking bigger bites out of each year, and, then, of course, we're seeing timeframes be extended, utilities looking for material well into the mid-2030s now. That is all reflective of this underlying security of supply pivot that's occurring. It's occurring because of the multifurcation of the market that's going on. It's occurring because of some of the production challenges you're seeing with some uranium production.

We continue to believe we're in the early innings of it, because if you add up the amount of contracting that's in the market, it's not even at replacement rate yet. We just find it to be very, very constructive. Because, to have an average term price of $77.50 when we're not even at replacement rate yet, that's a pretty good place for us to be, and a great place for an incumbent producer with tier-one assets and brownfield leverage, a great opportunity for us to take advantage of that value capture. We're feeling very, very constructive of that underlying market fundamental.

Neil Mehta:
Thanks, Grant.

Tim Gitzel:
Thanks, Neil.

Operator:
Our next question comes from Ralph Profiti of Eight Capital. Please go ahead.

Ralph Profiti:
Thanks, Operator, and good morning, everyone. Thanks for taking my questions. Tim or Grant, Inkai guidance of 8.3 million pounds, this is currently a tentative target, right, and under discussions. Can you talk a little bit about progress on securing sulfuric acid supply, and, maybe one step further, is there any range of production volumes that you could potentially see that's at risk in that guidance number, just thinking about sulfuric acid shortages only, perhaps leaving out even more unpredictable logistical challenges? Any context around volume at risk would be helpful.

Tim Gitzel:
Yes, Ralph, it's Tim, I'll start, because Sean Quinn and I just came back from there. We were over there last week, had, obviously, meetings with the Kazakhs and our joint venture partners. Obviously, sulfuric acid is an issue; it's short, it's tight. Other industries are keeping the supplies they have and using them. They're having trouble accessing their regular channels of sulfuric acid from the Russians and others, because the Russians are sanctioned and not able to produce like they were. You know their plan is to bring the Italians in to build a new plant. I'm not sure that's even started yet, so I think that we're into this pickle for a couple years until that new plant get built.

I know Sean had direct conversations with the CEO of JV Inkai - Kazatomprom. Sean, do you have anything to add on the—8.3 was the best information we had when we put out our information, obviously, but, Sean, anything to add to that?

Sean Quinn:
Not a lot, other than in our conversations with Kazatomprom, they're getting more comfortable that 8.3 million is achievable this year. They're obviously working hard on the sulfuric acid, both

the supply and the logistics challenges that you mentioned, but, really, not much more detail than that, other than I just—some increasing comfort that that will be achievable.

Ralph Profiti:

Okay, got it, thank you. As a follow-up, I'd like to come back to something that Grant talked about, which is this supply pivot and how characteristics of these contracts are changing in terms of tenure, volume and timeframes. It sounds like that's becoming, perhaps, more important than the actual volumes secured in the term market, which, so far at 26 million pounds or so year-to-date, is underwhelming when we look at what is replacement rate and what we did actually last year. Would that be a fair comment?

Tim Gitzel:

Grant, please?

Grant Isaac:

Yes, sorry, Tim. Ralph, I might characterize it by just saying more to come. When we evaluate the types of conversations that we're involved in, in our pipeline, it is indicating a lot of security of supply interest, and we're presuming it's a leading indicator for what you might see in the term market, so we are expecting strong contracting volumes through 2024. If there are any delays, it might be reflective of, perhaps, two things.

One is a bit of uncertainty around where some of these legislative efforts are going with respect to things like Russian supply. We're very close to seeing legislation in the U.S. That legislation, I think, has been well planned from a utility supply point of view, unless, of course, the Russians retaliate to that legislation by restricting supply in the immediate term. The market has not priced in that risk. But, that may be causing a bit of a pause, or maybe a slowdown, I would say, in final negotiations for term material out past that 2028 phase-out window.

The second thing is, don't forget we have a bunch of new customers as a result of this bifurcation, multifurcation in the market. Customers in Central and Eastern Europe who were traditionally captive to Russian supply and not accustomed, actually, to buying components in a big way, receiving instead of fabricated fuel bundle from the Russians. There is learning curve to go up for this demand, to learn how to buy the uranium and the conversion and the enrichment and the fabrication services, as well as the outage services.

It's the learning effects of new customers, combined with maybe this overhang of legislative challenges or opportunities in the market, may be causing a bit of pause, but the underlying security of supply sentiment is growing stronger and stronger, Ralph.

Ralph Profiti:
Quite helpful. Thanks, everyone.

Tim Gitzel:
Thanks, Ralph.

Operator:
Our next question comes from Gordon Johnson of GLJ Research. Please go ahead.

Gordon Johnson:
Hey, thanks for taking my questions, guys, appreciate it. Just two questions. First, you guys talked about this just now with respect to the potential Biden ban of product coming in from Russia, so could you talk a little bit more about the actual impact here? Because it seems like it's an executive order, it doesn't take effect until 2028, so it seems like the real impact will be muted, unless, like you guys said, the Russians react, but I just want to make sure I have that correct. If you could provide your insights, and then a follow-up. Thank you.

Tim Gitzel:
Well, Gordon, I'll start and then Grant can chip in, but part of the reason I'm down here is to have those meetings first to see where that legislation is at. We'll be going through the different Secretariats to talk to the people in charge and just see where that's at. That has already had a

chilling effect. It’s going to have even more of a chill when it gets passed. We talk about 2028, well, you can still buy it till then, but if you’re looking at the market now, there’s not a whole lot of material available until then, and most utilities are looking in that window.

Grant, I’ll pass it over to you to give your view on that.

Grant Isaac:
Yes, very close to seeing a legislative ban. In fact, I believe, if it wasn’t for one Senator, we would have seen a ban in place by now on the legislative side. Absent a legislative opportunity, Gordon, our strong sense is there might be an administrative action, as you mentioned, either at the Secretary level or even at the executive order level, in order to codify the intent to shut out Russian supply by 2028.

Let’s first talk about the potential impacts there. As we’ve mentioned a number of times, utilities have been largely, I would call it, self-sanctioning because of the underlying Russian suspension agreement which was already sunsetting in 2028, so a lot of that forward contracting was already looking to avoid Russian supply, but, meanwhile, contracts that had been signed in the past were being delivered into.

There’s two elements to a ban from a U.S. point of view. Number one is when is the ban effective? Is it going to be effective sooner than 2028, or is that the date certain? Number two, what is the strength of the waivers that might be granted to utilities to take in supplies between now and 2028, for example? If you have a strong ban, but weak waivers, it might not have much of an effect, but if you have a strong ban and strong waivers, meaning that utilities really have to demonstrate that there is no other alternative for them to fuel their reactors and it’s really in the national security interest, and only then will they get a waiver for importing the Russian material. Then, that will really be a strong signal to focus on sovereign safe jurisdictions for supply.

Now, the final piece, and I already mentioned it, but it’s worth mentioning again, is all of this presumes it’s up to the West to decide when the Russian material is done, and what we forget about is there’s the other side to that coin, and that is the risk that if a ban comes in place, and a ban with, say, strong waivers come in place, that the Russians don’t react by simply saying, “Oh, you don't want our material come 2028. I'll tell you what, you can't have it now." That kind of voluntary export restraint on the part of the Russians has absolutely not been priced into the market and has not been anticipated in terms of future supply. I would say you would have to go back and look at an analog, like the Cigar Lake flood event, to see that kind of shock that it would create.

That piece really isn't well thought through in the market, but the ban itself, come 2028, the self-sanctioning, it has been well planned, subject to strong waivers and subject to a Russian retaliation.

Gordon Johnson:
Yes, that's very helpful. That was the biggest that I saw, that the Russian retaliation would really be what cause prices to move, and I agree, that's not priced in.

One quick follow-up, if I can. There seems to be a constituency of people out there who are saying Cameco forward sold a lot of their pounds at $70 and, thus, they're not going to benefit from this increase in prices. Yet, when I go to your financials—and just correct me if I'm wrong—it looks like to me you guys have only committed 20% of your reserves, so that leaves about 800 million pounds for future contracts, and from what I'm hearing in the market, those contracts are being signed at forward prices of $80, with ceilings at $135? Is that accurate? Can you comment on that?

Thanks for the questions, guys.

Tim Gitzel:
Yes, Gordon, thanks for that question. You're singing our song there because you're accurate with what you said. I think we have sold about 20% of our total reserve and resource base, and more to come, we've got lots to go.

Grant, do you want to answer that again?

Grant Isaac:
Yes, Gordon, thanks for that question, and it is something that we occasionally hear, and let's just go through that in a little bit of detail, and sorry for folks that are very familiar with this explanation, but for those who aren't, I think it bears a little bit of time.

There is a notion out there that a producer in the uranium space should produce uranium and sell it into the spot market, and I think that if that debate isn't clearly over for folks, it's just because they're not paying attention. We saw significant downward price action in the spot market in March on the back of a couple hundred thousand pounds dangled over the spot market. You're talking about an industry consuming about 180 million pounds a year and a couple hundred thousand pounds being aggressively moved into the spot market had a $6.00, $7.00 effect over the course of a couple of days.

Why is that? It's because of a very simple fact, and that is there is not a reactor anywhere on the planet that is loading a fuel bundle in 2024 that needs uranium in 2024. The uranium that's in that fuel bundle was bought years ago, at least in 2021, and probably even years before that. There is never high-quality fundamental in-year demand for uranium. Utilities, instead, are looking for their material out into the future. That's the high-quality fundamental term market, and that is the market that matters to a uranium producer, and when you look at that market, here's a really important fact: Cameco never sells below the market. If the market is the term market, what's being negotiated today, Cameco is always to capture leading prices in the market.

We are able to take advantage of our incumbent production, our brownfield leverage, our reputation as a reliable supplier and discover the best pricing in the market in terms of floors and ceilings and market-related contracts, or the base escalated portion, the fixed portion in the term market. We don't miss that market at all. In fact, in many cases, we're helping lead the discovery of prices in that market because of all the advantages we bring to the table, relative to somebody who might be producing from a jurisdiction that's not considered sovereign safe, or somebody who doesn't have the reputation of reliable supply, like we do, or doesn't have multiple sources of supply, like we do. Those incumbent advantages create this opportunity for us to capture leading value going forward. Where the market is today is exactly where Cameco is. We never miss that market.

The inverse is not true. If we had preserved 5 million pounds to sell through the spot market when it hit $106—first of all, the market would never hit $106, because it would see that material sitting there, and the second we showed up with 100,000 pounds of fresh production, the market would back up. You don't even have to take my word for it. Look at what happened to Kazatomprom during their volume strategy days, when they were selling material through the spot market in big volumes or look at what happened to Paladin in their spot exposure days.

No surprise, looking forward, the responsible producers of uranium have landed on a very common message, which is you build homes for your production before you call for it, you stay off the spot market because it's not capable of absorbing those volumes, because there's never any high-quality in-year demand for uranium, and that strategy is what captures the most amount of value going forward, and when you're a producer like Cameco, you're at the top of that market in finding that forward value. You look at Cameco, our exposure is second to none, and our pipeline of reserves and resources means we have about 800 million pounds we haven't even tried to sell yet. That is best-in-class exposure to this constructive market.

Gordon Johnson:
Thanks for the questions.

Tim Gitzel:
Thanks, Gordon.

Operator:
Our next question comes from Andrew Wong of RBC Capital Markets. Please go ahead.

Andrew Wong:
Hey, good morning, and thanks for taking my questions. I just wanted to go back to contract terms. Can you just talk about the escalators that are being built into contracts today? We're in a more inflationary environment, rates are higher, demand is stronger, have those escalators gone up, and maybe just talk about how those might affect pricing in future periods, since we don't always hear much about the escalators?

Tim Gitzel:
Thanks, Andrew. Grant?

Grant Isaac:
Yes, the situation for escalators on contracts has really improved dramatically for suppliers of uranium, and remember what we're talking about here is, in a term contract, there's those two bookends. You can have a term contract that's base escalated. You start at today's term price, average term price of $77.50, and then the negotiation is how does it escalate to first deliveries and then how does it escalate through the delivery window. The other types of escalators are actually on market-related contracts, because the floors and the ceilings have escalators built into them. A floor price you get today is subject to an escalator, a ceiling price subject to an escalator.

When I say the environment for escalators has improved, what I mean is that in the post-Fukushima window, when we saw a lot of material hitting the market, a lot of uncommitted material oversupply, we actually saw some producers who were willing to even discount a standard inflation indicator. You take a CPI indicator and they would offer 0.75 of the normal CPI indicator. Now, what we're seeing is indicators that are capturing escalation at least at industrial escalation, and, in some cases, having success building in regulatory costs or industrial cost escalators, and this is just a function of the security of supply pivot that I talked about.

It's exactly why, when the market is oversupplied and prices are soft, Cameco chooses to leave pounds in the ground, rather than pulling them out of the ground and trying to pound them into a market where you don't have any negotiating leverage, and now, as this market has changed and security of supply is back in the market, it gives incumbent producers incredible advantages, and escalators are one of those advantages. That environment has definitely changed.

Andrew Wong:
Okay, that's great, and then maybe just switching to something else here. Can you talk more about the Dawn Lake projects? It looked like drilling and exploration there hit some pretty significant mineralization last year. What's the exploration plan for that project going forward, and maybe when might we hear some of those results?

Tim Gitzel:
Yes, thanks, Andrew. We don’t often talk about our exploration program, which is probably one of the best in the world. We’ve got some of the best property in the world, including the Dawn Lake property, which is close to our existing infrastructure. Yes, we have had a bit of success there.

Sean, do you want to say a few words about our Q22, or our Dawn Lake project and just where that’s at?

Sean Quinn:
Sure, and I’ll just start by noting across the fence line, we have IsoEnergy and their Hurricane deposit, but we had a very active winter program and we are analyzing the results, sharing them with our joint venture partner in Orano, and then we’ll be moving into a summer drill program, assessing the results of that, and I think might anticipate having some results to share with the market after the conclusion of that summer program.

Andrew Wong:
Okay, great. Thanks.

Operator:
Our next question comes from Alexander Pearce of Bank of Montreal. Please go ahead.

Alexander Pearce:
Great, thanks. Good morning all. Just turning back to contracting again, it looks like you may have added a few million pounds to your near- to mid-term contracting book. You flagged this 28 million pounds per year now for the next five years. In the previous quarter, you provided a total number of contracts—under contracts, so I wondered if you could provide an updated number for us there.

Grant Isaac:
Yes, we …

Tim Gitzel:
Thanks, Alex.

Grant Isaac:
Sorry, Tim.

Tim Gitzel:
Go ahead, Grant.

Grant Isaac:
Yes, sorry. We moved away from giving those quarterly updates, Alex, on where we were at with contracting. We did it for a period of time because we were seeing the market recovery before others were seeing it and we thought we were there to play a pretty important role in convincing folks that contracting was underway and we were seeing the return of term contracting, but now the data are pretty clear, so what we want to do, obviously, is go back to our maximum negotiating position, which is on an individual basis, not revealing what's committed at any time in the market when we're negotiating with customers. That's just a position we want to be in because we just don't think we have to convince anybody that the term contracting cycle is underway.

Now, to your question about adding some near-term demand, what I want to emphasize there is—you often hear us talking, Alex, about staying off the spot market, so I don't want anybody to interpret us adding near-term commitments, as, "Well, you're saying one thing and doing the other." Occasionally, we'll be in a term contract negotiation with a utility and we'll be talking about a classic term window starting two years from now, going out for seven to 10 years, but that utility might say to us, "But, we'd really like you to find some material in the near-term." It is fundamental end user demand, it's not material we're putting to a trader to then churn through the spot market, and it's also demand that we can deploy when we want to deploy it. We have it in our back pocket. It's like our up to 2 million pounds of potential market purchases. We can deploy it when it makes sense for maximum value creation for us.

It’s a good strategy for us to follow when it works, but there are other times where we simply say, “We can’t find you any material in the near-term.” Sometimes, we will add those commitments, but it’s never commitments to a trader for material that gets churned through the market, because that is not value-creating.

Andrew Wong:
Okay, fair enough, thanks, Grant. Maybe I just ask the second question then, just in terms of where you stand on the McArthur River expansion. Obviously, the last updates, you were investigating what it could cost.

Tim Gitzel:
The same, probably, as last quarter, Alex. We are investigating. We’ve got a team looking at whether we can expand and what it’ll take to expand. Obviously, as we’ve said over and over ad nauseum, we’ll let the market call for those pounds and then we’ll move ahead and bring up the production. We’re just doing the background work that we need to do now to look at the different circuits in the mill and the mine. We know we can get there, we’re just evaluating what it will take to get there. We’ll have more news on that as the year goes on, but work progressing.

Andrew Wong:
Great, thanks, Tim. Thanks, Grant.

Tim Gitzel:
Yes, thanks, Alex.

Operator:
Please note we are nearing the 10-minute mark for questions and any we don’t get to, you can reach out to the IR Team.

Our next question comes from Orest Wowkodaw of Scotiabank. Please go ahead.

Orest Wowkodaw:
Hi, good morning. I'm curious about the contracting strategy relative to your production base. We saw your five-year average book creep up to 28 million pounds from 27. Is the idea there that we should expect that to continue to move higher, almost to the point where it could be above—well above your production range, and then we see, effectively, the McArthur River expansion, I would assume, approved? At what level do we start thinking about bringing tier-two capacity back?

Tim Gitzel:
Grant, do you want to take that?

Grant Isaac:
Yes, happy to do that. Orest, great question, because it gives us an opportunity to remind folks that we are still transitioning at Cameco to our full tier-one run rate. Our plan this year, McArthur at 18 million pounds on a 100% basis, Cigar at 18 million pounds on a 100% basis. Inkai, Sean's already talked about it, is really the return of that tier-one cost structure. We're not there yet, but you're seeing the benefit in our unit cash costs, which were down substantially, so great operating performance there.

But, it is a reminder that we are actually not in full production mode yet. We have not made the decision, as Tim just talked about, around McArthur River/Key Lake expansion to 25 million pounds on a 100% basis. We're doing that evaluation right now. Then, there's the tier-two. Between what's possible at our tier-one up-flex, that's another 15% of production, potentially 30% if we brought back our tier-twos. What gets us there is, actually, we need to see more demand in the market. It's tied to my earlier point that we don't front-run demand with supply. We wait for that demand, security of supply-driven demand, to come to the market, we capture that demand, and then we call for higher levels of production.

As we're in this transition, we do have a bigger over-contracted gap than we have typically had as a run rate over-contracted gap in the past, but much, much smaller than it was when we had McArthur River/Key Lake in care and maintenance, for example. As we're transitioning through this, it's about capturing appropriate demand at the right price indicators for us, then calling for that production.

In terms of how we get to tier-two, think about that more like tier-twos competing with greenfield pricing. This market absolutely needs new uranium production, there's no doubt about that. The good news for Cameco is we can grow with this market without greenfield dollars for a very long time, but a key point of that is bringing back tier-twos, and the way we look at those tier-twos is we say when the market discovers greenfield pricing—and we're going to know that because we're going to see capital being deployed, meaningful capital being deployed for folks to advance a greenfield mine and greenfield mill, and, of course, that hasn't occurred yet, that's pretty obvious to see.

But, when those prices are being signaled, we will offer utilities a very simple alternative. We'll say, "You can take the risk with a greenfield project and all of the challenges with a greenfield - the mine development, the licensing, the permitting, the supply chain, the productivity factors - you can take all those chances with a greenfield that may be in the hands in the someone who's never done it before, or for that same greenfield pricing, we could bring back already existing, already licensed, already permitted tier-two capacity that is proven, it's operated in the past, the supply chain is there and the skilled labour is there." But, for us, it's about waiting for that demand to form and not getting in front of it and front-running it, because we've seen how others have destroyed shareholder value by doing that in the past. That is not the game we play. Think about those tier-twos as being an alternative to high-risk greenfield.

Orest Wowkodaw:
Thanks for the colour.

Tim Gitzel:
Thanks, Orest.

Operator:
Our next question comes from Lawson Winder of Bank of America Securities. Please go ahead.

Lawson Winder:
Thank you, Operator, and good morning, Tim and Grant. Nice to hear from you all. Thank you for the update. I just wanted to ask about the sales. You had provided guidance in your Annual Report through a chart that indicated that sales in Q1 would be around 8.5 million pounds for uranium. They came in at 7.3 million pounds, which it looks like a pretty substantial difference. Could you just speak to some of the reasons that might have driven that, and just generally in the business some of the factors that drive that seasonality in sales? Thanks.

Tim Gitzel:
Grant?

Grant Isaac:
Yes, thanks for noticing that. Obviously, we put out that table as part of our Q4 every February that gives you, directionally, what the quarters are going to look like in terms of uranium volumes. That table is derived by the collection of non-binding delivery notices that we get from the utilities, usually six months prior to that table being constructed. We receive non-binding delivery notices; that helps us build the schedule. Later on, those are converted to binding delivery notices, and there can be sometimes slippage between one quarter or another. Whenever you see that, it's always important to then step back and look at our broader outlook table and see if we've changed our committed sales for the year, and, obviously, you see we haven't done that. That's the evidence that, really, this is about just volumes shifting from Q1 into Q2, into Q3, as opposed to being lost or sales that—commitments that somehow went away. A little bit lower than what we thought when we constructed those delivery patterns last fall, but, ultimately, the calendar year, we're still holding that same guidance for sales.

Lawson Winder:
If I could just follow up on that. Any guidance as to what Q2 might look like at this point, given where we are in the quarter? Then, I also, if I could, wanted to ask about your contracting conversations and where the discussions are around caps and floors. Late last year, yourselves and your competitor, one of your competitors, had indicated $90 floors and $120 caps. Is that still the range that we're talking about? Thanks very much, and that's it for me.

Tim Gitzel:
Yes, thanks a lot, Lawson. Grant?

Grant Isaac:
The Q2 deliveries, yes, we don't—I don't have an updated disclosure for that, Lawson, so sorry, that's probably not a satisfactory answer, but just continue to look at that annual number. It hasn't changed, so you know we're going to deliver those volumes. They are committed, and the utilities will take deliveries.

I don't know what others are doing in the market, and I don't know exactly what they say, but ultimately, if you look at the trade press, if you look at where TradeTech and UXC are at, you're seeing that floors in the market on a market-related contract are constructing up to be just under the long-term price, and ceilings are stretching out into the hundreds, $120, $130, and that's just really a function of the fact that, while the spot market is not a place to sell uncommitted volumes, the spot market sentiment helps drive the collars around market-related contracting.

I think when others say things like $90 floors, they're doing the escalation for you, Lawson; they're not actually telling you the price today. They're saying, "Oh, but by the time we're done delivering it, it'll have escalated to $90." Now, that might be technically accurate, but I find it a bit misleading in the market when folks do that, but ultimately, let's say that we're talking about floor prices in market-related contracts that starts with a seven escalated in U.S. dollar terms. This is a pretty constructive market for an incumbent producer. It's early in the contracting cycle, haven't seen prices this early at this stage of the contracting cycle, and we know prices need to still incent greenfield, and they just haven't done that yet. It's feeling pretty good to us.

Lawson Winder:
Great, many thanks.

Tim Gitzel:
Thanks, Lawson.

Operator:
Our next question comes from Greg Barnes of TD Securities. Please go ahead.

Greg Barnes:
Yes, thank you. Just a couple of questions around Westinghouse. One, any commentary around the order backlog on AP1000s and how discussions are going with additional utilities, outside of what's already signed; and secondarily, any commentary around the potential restart of Springfields? Thanks.

Tim Gitzel:
Greg, I would just say, on the AP1000s, lots of interest, lots around them. Nothing that we're going to announce and walk through, but you probably saw just over the last couple of weeks in Ukraine that Khmelnytskyi 5 and 6, they're looking at AP1000s there. I think they poured the first concrete for some of those, so that's moving ahead, and Ukraine, I think, has committed to up to nine new ones. Now, of course, it's all subject to what's going on there, Greg, as you know, but a good order there. Bulgaria, at Kozloduy, I think 7 and 8, they've chosen the AP1000, I think the feed contract's been signed for those, and, of course, those are all using Westinghouse fuel, as well, so there's a fuel component with those. I can tell you there's a lot more conversations going on—I just talked to the leadership there at Westinghouse a couple days ago—in North America, in Europe and in Asia. Lots going on, on that front.

Anybody, Grant or Dominic, anything to add? Maybe, Dominic, you could say a word about Springfields. I'd like Dominic to come in the conversation. Anything on the new builds and/or Springfields, Dominic?

Dominic Kieran:
Yes, of course. Greg, good morning. Maybe a couple of words from my side on Springfields. Thanks for the question. We view Springfields as quite a strategic asset, not just for the U.K., but for the global fuel market. Alongside our partner, Brookfield, we are, indeed, supporting Westinghouse, who are looking at options for that site and how we can use Springfields, obviously, to support that market, and clearly—you mentioned the restart or conversion. We have an active project looking at, it could be a restart, it could actually be new build of the conversion

facility. But, as Grant has alluded to, the fuel market is strong, so we think there is absolutely customer demand for that, and we are just supporting Westinghouse, who are looking at options at the moment. Yes, thanks for the question.

Greg Barnes:
Great, thanks very much.

Tim Gitzel:
Thanks, Greg.

Operator:
Our next question comes from Brian MacArthur of Raymond James. Please go ahead.

Brian MacArthur:
Good morning, and thank you for taking my question, it follows on to Greg's, but can I ask it this way? You made a comment a number of times that Westinghouse looked a lot better than when you first bought it. Is that because of a), the AP1000 outlook, is it the fabrication outlook, is it it helps your uranium business more, is it better margins on contracts, on the servicing, any colour, or maybe it's all of the above? I don't know, I'd just be curious if you could expand on what you've seen that's different and better within Westinghouse since the deal was done.

Tim Gitzel:
Yes, Brian, thanks for the question. I'd say it's probably all of the above. I'll turn it to Grant in a minute, because when we were valuing and did the work, the due diligence on Westinghouse, we put value on certain things and not on others, and the AP1000s, we didn't put a whole lot of value on any new build, and now we're seeing that move ahead, so that's good. The AP300, you'll remember the SMR, didn't exist, or it wasn't planned for, I should say, when we went out for Westinghouse. That's there now and we're getting a lot of interest in that. Obviously, the eVinci is there. We're picking up a whole punch of those Eastern Europe fuel supply, the VVERs that

are running. I think there's 35 of them in Eastern Europe, where I think we're getting most of the fuel for all of them. Just things like that, Brian, that we hadn't really calculated. Obviously, the Russian move into Ukraine has sped things along for us and for Westinghouse.

Grant, do you have anything you want to add to that?

Grant Isaac:
Yes, of course I do, Tim, I just can't resist. Brian, it was …

Brian MacArthur:
I'm sure.

Grant Isaac:
Brian, it's a good question, and I would echo Tim's comment on "all of the above" and maybe just highlight a few things.

We like to, first of all, just talk about how strong that team is. It's a great team at Westinghouse and they are executing very well on their strategy. We like to think about them as core. In the core of the business, you're seeing the pickup of new customers, Central and Eastern Europe, you're seeing the pickup of existing customers who are saving reactors that we thought we're going to shut down, and existing customers that are extending the life of reactors that we thought we're probably going to retire after the end of their operating licence, and those are big deals. When a reactor goes through a life extension, you're adding another 20 years of operation to it. That's a substantial tail of business that really wasn't part of the model and it's just part of just the enthusiasm for nuclear.

Springfields, Greg just asked about Springfields. The conversion market is at historic pricing. The Springfields plant has a conversion line. That would be in the core, and that would just be additional opportunity within the core of the business, because it's part of that nuclear fuel and nuclear fuel supply, and then, of course, all the wraparound services. Reactors that are being saved; reactors that are being extended typically need more services wrapped around them. The core is performing very well and we're quite happy about it.

But, I just would echo Tim's comment on new build. New build is the area where, I think, the potential is very, very significant. Now, obviously, we wait until projects are at final investment decision stage before we count them in a meaningful way in the business plan. You get the first initial pickup of front-end engineering and design projects, but final investment decision is really what's required. But, having said that, the quality of the conversation around new nuclear far exceeds our highest case assumption even 12 months ago, and what I mean there is just the reality of how much power is actually required for industrial onshoring, for onshoring of manufacturing, for generative AI, and the whole investment in digital technologies.

When you think about all of that effort that's going on in Western countries and all of the support that's being given for that, the critical path item is electricity. That is the critical path item to seeing all of those investments succeed, and the critical path item is very well served by a technology that is secure, dispatchable, reliable 99% of the time, so nuclear is getting a lot of attention, but if nuclear is part of the critical path item, then the nuclear fuel is part of the critical path.

It's that combination of saying we get to participate in the uplift on nuclear fuel, we now get to participate in the new build for that reliable electricity, and then that long tail of servicing it. It's a pretty exciting outlook. You have to forgive us for being as excited as we are, but there were a lot of lean years, so this is a pretty good opportunity for Cameco, for Westinghouse, potentially our GLE investment. This is a constructive market, the likes of which we haven't seen before, Brian.

Brian MacArthur:
Sorry, maybe on quick follow-up. Just on Springfields, a year ago, it sounded like when you talked there was maybe excess capacity in UF6 in the market in the West, so maybe that market didn't look as positive. It sounds now that maybe you're more positive on the UF6 outlook as you look forward to Springfields, is that fair, or are you thinking of using it for something else?

Tim Gitzel:
Grant?

Grant Isaac:
Sorry, Brian, I didn't catch which market is looking more positive.

Brian MacArthur:
Sorry. A year ago, UF6, you might have been a little more cautious, given there was excess capacity, but now Springfields sounds a little more positive.

Grant Isaac:
If you look at the breakdown of potential Western supply, it's very different for conversion than it is for uranium and enrichment. In the West, we need to see more investment in new uranium production, the need for the greenfields, like we've talked about, and we need to see more investment in Western enrichment, in order for uranium and enrichment to match Western demand.

The conversion space is actually a little bit different. What we really need is the four conversion plants to be running at full capacity, plus perhaps the addition of our global laser enrichment project, producing a UF6 product, so it's already converted, and then you actually see a little more balance between Western demand and Western supply, and one of those four facilities is Springfields.

We're ramping up that Port Hope production, you're seeing ConverDyne come back in the U.S. to 7,000 tonnes of conversion, you've got the plant in France running at, we think, about 12 or 12.5 out of a potential 15, and that does require the Springfields plant to come back in order to balance that Western market. The need is definitely there, and that's reflected in the very tight front end of the UF6 market and the historic pricing.

But, UF6 is like uranium; you don't start a UF6 plant and then knock on people's doors and say, "Do you want to buy UF6?", because they don't have in-year demand for UF6. It's got to be part of a committed sales portfolio built out over time, then you call for the additional production. For us, it's about combining that solid marketing strategy with then the right production decisions.

Brian MacArthur:

Thank you very much. I appreciate it.

Tim Gitzel:

Thanks, Brian.

Operator:

This concludes the question-and-answer session. I would like to turn the conference back over to Tim Gitzel for any closing remarks.

Tim Gitzel:

Yes, thanks very much, Ariel, and thanks to everybody who joined us today. You can probably sense our excitement in not only the market and where it's at, but how our Company is positioned in that market. It's pretty exciting times for us at Cameco.

We didn't get quite through the queue today, so, as Rachelle noted, if you have any detailed follow-up questions related to the first quarter results, or any questions that we didn't get to today on the call, please contact us, or we'll contact you, and we're happy to address them directly.

As always, we're a responsible commercial supplier, with a strong balance sheet, long-lived tier-one assets and a proven operating track record. We're invested across the nuclear fuel and reactor lifecycles, and we believe we have the right strategy to achieve our vision of energizing a clean-air world, and we will do so in a manner that reflects our values. Embedded in all our decisions is a commitment to address the risks and opportunities that we believe will make our business sustainable over the long-term.

Thanks again very much for joining us today. Stay safe and healthy and have a great day. Thank you.

Operator:
This brings an end to today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.