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PRESENTATION

Operator

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

Rachelle Girard, Director, Investor Relations

Thank you, Mary, and good morning, everyone. Thanks for joining us. Welcome to Cameco's 2015 fourth quarter and year-end conference call to discuss the results.

With us on the call today are Tim Gitzel, President and CEO; Grant Isaac, Senior Vice-President and Chief Financial Officer; Bob Steane, Senior Vice-President and Chief Operating Officer; Alice Wong, Senior Vice-President and Chief Corporate Officer; and Sean Quinn, Senior Vice-President, Chief Legal Officer, and Corporate Secretary. Tim will begin with comments on our financial results and the industry, followed by Grant, who will comment on a few items, including our tax cases. Then we'll open it up for your questions.

If you joined the conference call through our website event page you will notice there will be slides displayed during the remarks portion of this call. These slides are also available for download in a PDF file called "Webcast Slides" through the conference call link 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. Please refer to our annual information form and MD&A for more information about the factors that could cause these different results and the assumptions we have made.

With that, I will turn it over to Tim.

Tim Gitzel, President & Chief Executive Officer

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

Before we get started I just wanted to take a moment to express our sympathy to the people of La Loche, Saskatchewan. While this kind of tragedy is, sadly, not uncommon in our world, it's particularly shocking because it happened in our own backyard. And what makes it hit home even more is that we have people from that community working at all of our Northern Saskatchewan sites. Our hearts certainly go out to the people of La Loche, the neighbouring communities, and to all of Northern Saskatchewan. In the months ahead we will continue to engage with community leaders to discuss how we can best help. And I would ask you as well to keep the people of La Loche in your thoughts.

Now let's turn our attention to the business of today's quarterly conference call, our fourth quarter update. I'll start with some brief remarks then turn it over to Grant to give additional detail on some of our results and an update on the CRA case. After that we'll spend the majority of the call on your questions.

In our view this is the most important reporting period for Cameco. A lot may happen during the year but the important piece is what we achieved after everything is taken into consideration. In 2015 we continued to perform well, despite being in what is a very difficult industry to be in right now. In particular, we achieved record annual revenue and record revenue from our uranium business. That was largely driven by a higher average realized price in all of our business segments as a result of the weak Canadian dollar. The performance of our NUKEM segment was also a significant contributor. There we saw higher realized prices and higher sales volumes, which led to an almost 60 percent increase in its revenues. However, while the weakening of the Canadian dollar helped our average realized prices, it negatively affected our earnings as we incurred losses on our foreign exchange derivatives. Combined with higher unit costs and a number of one-time unusual items in both 2014 and 2015, it meant earnings were down from last year.

The better news for 2015 was on the production side, with the biggest headline at Cigar Lake where we produced 11.3 million packaged pounds. This far exceeded our initial expectation of between 6 and 8 million pounds. And the team at Cigar Lake achieved this safely and responsibly, ensuring we continue to get it right at each step in the process. So we're very proud of the work being done at what is one of the world's most technically challenging mines. Having those pounds is very important for our company. It provides the material we expect will be needed to meet rising demand and it will do so at a lower cost than other sources of supply. And with this exceptional performance we now expect to achieve our target of 18 million pounds of annual production in 2017. The rest of our operations also performed well, either meeting or beating their production targets. The only exception was McArthur / Key, where unplanned maintenance outages to repair the calciner caused production to be slightly below target. The shortfall, however, was more than made up by the other operations. In fact, in 2015 Cameco achieved record production of 28.4 million pounds.

Looking ahead, our plan is to continue to pursue our strategy of focusing our capital on tier-one assets. This means continuing our production plans at Inkai, ramping up at Cigar Lake, and preparing for expansion at McArthur River in response to market conditions. We believe this is the right strategy to ensure we're positioned to respond when the market calls for more production. It's also a great risk mitigation strategy in the event that the uncertainty persists, and it could. Now, almost five years post Fukushima, I don't think anyone expected these conditions to last this long. And there are a number of reasons for that.

First, the pace of reactor restarts in Japan has been much slower than anyone anticipated. Having to establish a new regulatory authority and process has meant that the path to restarts in Japan is first of its kind and, understandably, slow. However, the first restarts have now occurred, Sendai units 1 and 2 as well as Takahama unit 3. And we're expecting more to follow. We hope that the lessons learned on these initial restarts will help pave the way for others to follow more quickly. Another factor contributing to the slow recovery of the market has been the extent to which some countries have moved away from or reduced their reactor fleets. And in some places there have been unexpected reactor closures. These have generally been in electricity markets where reactors have become less competitive as a result of deregulation and low natural gas prices. Added to that are global events that have combined to further challenge our industry, things like a sluggish global economy, a variety of geopolitical issues, and flat electricity demand.

All of these factors mean that today we're still waiting on a recovery that had been expected to come sooner. We've learned to put those expectations aside and instead focus on preparing for whatever comes our way and watching the market closely so that we're ready to respond, because over the long term we know good things are in store for the industry. We know there's a huge amount of growth in reactor construction being led by China, India, and South Korea, all of which have reactors under construction and brought new reactors on line in 2015. We know there's going to be growth in uranium demand as these new reactors come on line over the next number of years and we know that supply will struggle to keep up as investment in new projects is just not happening. Existing projects are being deferred or cancelled and existing supply is being curtailed.

So over the long term we remain as optimistic as ever; however, navigating the current market conditions has become a more prolonged and challenging effort. But I believe we have continued to perform well and have the right strategy in place to ensure we continue to do so. We continue to be a competitive, low-cost uranium producer, we continue to have one of the best asset portfolios in the world, we continue to have an impeccable track record of safety, and we continue to deliver strong results.

So, with that, I'll turn it over to Grant.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thanks, Tim.

I just wanted to make a few brief remarks on our financial results and provide an overview of the update to our tax disclosure, including the CRA and IRS cases.

First, and for the most part, our results fell in line with the outlook we provided during the year, which you can see on slide eight. In many of the cases where we were outside of the range provided, foreign exchange played a significant role, as Tim noted. On the revenue side we saw a significant benefit; however, that benefit was largely offset on the expense side as a result of the foreign exchange hedging activity we undertake. I am not going to get into all of the mechanics, as we do cover it quite thoroughly in our MD&A, but there are a couple of points I want to make.

First, the reason we undertake hedging activities is to provide certainty and predictability to our cash flow as we carry out our operating and capital expenditures. It's a prudent measure that generally serves us well but in periods of rapid currency fluctuations the average exchange rate under our hedge position will lag the market. For example, the average U.S./Canadian exchange rate for our 2015 hedge position included exchange rates for periods prior to the rapid devaluation of the Canadian dollar. As a Canadian dollar reporter, the gap between the average exchange rate under our contracts and the average exchange rate for 2015 caused us to report significant losses on derivatives in 2015. Over time and as we add hedges at current market rates we expect to realize the benefit of today's weak Canadian dollar as the average exchange rate under our hedge contracts increases.

To arrive at our adjusted net earnings measure a portion of the losses reported in 2015 do not apply in that period, as the hedges were put in place to protect future foreign currency exposure. The goal is to better reflect our actual underlying financial performance. In that adjustment calculation you will see one-time items that are not representative of our ongoing operations as well as adjustments to match the benefits of our hedging activities with the expected foreign currency exposure to which they apply. So that illustrates the impact our hedging activities and the rapid devaluation of the Canadian dollar had in 2015. To help you understand how we expect fluctuations in foreign exchange rates will affect our cash flow and net earnings based on our hedge position at the end of the year, we provide you with a sensitivity analysis.

So those are the areas I wanted to touch on regarding foreign exchange but I also want to quickly cover a couple of updates on our taxes. I'm going to start with the outlook for our tax rate and then move into our tax cases.

For the past couple of years we've been indicating that a transition in our tax rate will begin to occur in 2016. With this being the year of transition we felt a bit more information was warranted. This year many of the inter-company purchase and sale arrangements we have in place expire, meaning we need to negotiate new arrangements. We have started to replace the contracts and will continue to put new arrangements in place. As with the past arrangements, they are generally reflective of third-party transactions and will reflect the market at the time they are signed. As a result, in 2017 on an adjusted net earnings basis we expect our consolidated tax rate will transition to a modest expense and then trend toward approximately 20 percent. Of course the actual rate will vary from year to year depending on the distribution of earnings among jurisdictions and the market conditions at the time transactions occur under our intercompany and third-party purchase and sale arrangements. For 2016 on an adjusted net earnings basis we expect a tax recovery of 25 to 30 percent.

I think that sums up the tax rates and I'll move on to our tax disputes. I'm not going to provide a lot of updates on the numbers, as those are very clearly laid out in the MD&A, I will just run over some of the more significant changes.

In terms of our CRA case there is not much new. First, as we do every year, we have extended our analysis to include the expected impact if the CRA were to reassess our most recently concluded tax year, 2015. Next, as expected, we received the 2010 reassessment and have put letters of credit in place to secure the amounts owing for cash taxes and related interest. We paid the remainder owing in cash.

Finally, I want to draw your attention to the tax provision we reported at the end of the year, $50 million, which really represents the pricing uncertainty in our intercompany contracts. Unlike most quarters where you typically have seen us increase this provision to reflect the analysis of contracts delivered into, this quarter you have seen that provision almost cut in half. This was the result of some additional contract information that we acquired. With a larger sample of contract information we concluded that the pricing uncertainty in our intercompany arrangements was less than originally determined and reaffirms our confidence that we will be successful in our case. As noted last quarter, a court date has been set for our 2003, 2005, and 2006 tax reassessments. We expect the trial will start the week of September 26th of this year. We expect final arguments in April of 2017 with a decision 6 to 18 months after the trial concludes.

On the IRS side of things, we relieved reassessments as expected for the tax years 2010 to 2012. Like the 2009 reassessment, these challenge the transfer pricing used in some intercompany transactions for certain of our U.S. subsidiaries. Our view has not changed. We disagree with the stance taken by the IRS and continue to dispute it. While in the dispute process you will recall we are not required to make any cash payments.

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

Tim Gitzel, President & Chief Executive Officer

Thank you very much, Grant. Operator, with that, we're happy to answer any questions.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the 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 further questions, please return to the queue and we'll get to them after others have had their chance. If you have a question, please press star one on your telephone keypad. If you are using a speakerphone, please lift your handset and then press star one. To cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register for their questions. Thank you for your patience.

Our first question is from Orest Wowkodaw from Scotiabank. Please go ahead.

Orest Wowkodaw, Scotiabank

Hi. Good morning. My question really is to around the uranium business. I'm a little surprised by the guidance for 2016 in regards to sales, considering where you expect your production levels to be at 30 million pounds and your disclosure talks about purchase commitments of 9 million pounds. So that would imply another pretty large inventory build this year. Can you please kind of walk us through how to think about the strategy here in terms of, you know, your volumes being sort of materially above your sales expectations?

Tim Gitzel, President & Chief Executive Officer

Orest, it's Tim. Thanks for the question. I'm just going to open with a couple comments. You know, just on the purchases piece, we've always been in the market. You know that. Through the HEU deal for many, many years we had those pounds available to us and, you know, we like, $35 pounds today that are in the can, we think those are good pounds, and so over time we've purchased some of those pounds. We haven't perhaps been doing as much selling. You see, I think our guidance is 30 to 32 million pounds in 2016. You've heard us say before we're not interested in locking in today's prices, we've been saying that for a couple years going forward, so we haven't, so that's probably why we're down a bit. Going forward we'll watch the market to see how it evolves in 2016 but our guidance for now is 30 to 32 million pounds, so we're going to hang there.

Orest Wowkodaw, Scotiabank

And, you know, should we anticipate that your inventory levels kind of continue to rise beyond 2016? Or like how, like where do you get—at some point, I mean it is obviously consuming your working capital, you know, where do you get comfort in terms of not pushing your inventory levels too high?

Tim Gitzel, President & Chief Executive Officer

Grant Isaac is going to answer.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, Orest, I think there's just a bit of colour that can be added and if you flip back to 2015 and you think about our guidance on Cigar Lake at the outset of 2015 it was 6 to 8 million pounds of total production. So of course thinking about where Cigar Lake was going to end up we saw some attractively priced pounds in the market that were below the, you know, in many cases, the tier-two cost of production.

As Cigar Lake performed very well and ramped up very well it's obviously changed our perspective and we're not, we're not very active on the purchase front now. Going forward we will look at opportunities as they arise but we'll be simply opportunistic. So, no, we're not looking to grow that inventory position in a material way.

Orest Wowkodaw, Scotiabank

Okay. So that $9 million of purchase commitments for this year, it sounds like you're suggesting that was largely entered into before you realized how well Cigar was ramping. Is that a fair assessment?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, you can think about it that way.

Tim Gitzel, President & Chief Executive Officer

Yeah, that's right.

Orest Wowkodaw, Scotiabank

Okay. And is that—this 9 million pound purchase, is that sort of distorting your expected cash cost then for 2016 in terms of putting it into the inventory?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, it would of course. Those pounds only carry cash cost, they don't carry non-cash cost. Those are pounds that are priced in U.S. dollars. We hold them in Canadian dollars. We'll eventually sell them in U.S. dollars but there is a moment there where you hold them and with the Canadian dollar, the way it's performed, it does create, to use your word, a distortion there that needs to be thought of. But eventually, when the opportunities arise to place that material in the market, it'll be placed again in U.S. dollars, and we just think those were very attractive opportunities.

Orest Wowkodaw, Scotiabank

And is it your expectation that all those 9 million pounds would be profitable if you had to sell them this year?

Tim Gitzel, President & Chief Executive Officer

Absolutely.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Absolutely.

Orest Wowkodaw, Scotiabank

Okay. Thank you very much.

Operator

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

Greg Barnes, TD Securities

Yes, thank you. On the write-down on, I guess it was the Rabbit Lake mill, you imply that you don't expect to have enough feed sources to keep the mill full, but Eagle Point mine is going to run, I think, through 2021. I just want to understand what the thinking was behind the impairment.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, so as part of our year-end processes obviously we look at the carrying value of our assets and I would say that as we have really honed in on this tier-one strategy there are some consequences and one of the consequences here has been on Rabbit Lake. We wouldn't consider it one of our tier-one assets. There are resources that are available but our attention is focused on McArthur, Cigar, and our Kazak assets. We think that's the best place to put our attention in today's price environment. And what you're seeing here is just a reflection of that lack of attention on what is a tier-two asset in our portfolio. This follows on the heels obviously of the mine impairment that was in 2014 so I guess largely no surprise that there would be a mill impairment when you look at it from a carrying value point of view at year end. Ultimately we are watching a market that we think needs to transition and we'll make decisions accordingly going forward but, you know, at December 31st that was the view.

Greg Barnes, TD Securities

And in Crow Butte, I know you're not putting anymore capital in there, in well fields. Is that expected to just wind down over the next year or so or two years?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, right now we'll make the investments in operating those assets, but not looking to grow them. You've seen us pull back from growth expenditures there, again as a consequence of this tier-one strategy.

Greg Barnes, TD Securities

Okay. And just one follow-up: You've reduced your provision to the tax impactions of the CRA transfer pricing discussions. I assume that means the goalpost between you and where the CRA stands are very wide and there's no chance of a settlement here before you go to court?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. Well, it's hard to even begin to speculate on what the chances might be. Our view has always been that the risk to the company perhaps rests only on the pricing that was done in those intercompany arrangements.

The provision coming down just reflects our growing confidence that as we've added more contracts that are representative of the period at the time we signed those bulk sales arrangements really represents the actions taken we're really indicative of the market at the time. Whether we have a prospect for a settlement would depend on a number of factors, but not least of which is probably having a CRA move away from the structure argument that they're currently advancing.

Tim Gitzel, President & Chief Executive Officer

Greg, it's Tim. As we get closer to the courthouse steps as well there probably will be a few opportunities, process wise at least, to talk about that, so we'll see where that turns out, but I think Grant's hit the nail on the head, the gap remains wide today.

Greg Barnes, TD Securities

What are those opportunities, Tim?

Tim Gitzel, President & Chief Executive Officer

Well, I could let Sean speak to the… I think there's some mandatory arbitration, or not arbitration but mediation steps that need to be taken before you get to the courthouse. So, Sean, do you want to speak to that?

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

Yeah. Very briefly, the tax court rules do have a court mediated settlement discussion process that can be invoked by either side. It hasn't been invoked yet but I would suspect that it will be invoked at some point and that there would be some sort of formal settlement process in front of a judge sometime prior to trial.

Greg Barnes, TD Securities

So over the summer kind of, summer timeframe would be likely?

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

Yes.

Tim Gitzel, President & Chief Executive Officer

Or before, yeah. So probably in that range, Greg.

Greg Barnes, TD Securities

Okay. Good. Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. In order to respect everyone's time on the call today we will take your question and allow one follow-up question. Then if you have further questions, please return to the queue and we will get to them after others have had their after others have had their chance. Once again, if you have a question, please press star one at this time. The next question is from David Wang from Morningstar. Please go ahead.

David Wang, Morningstar

Hi. Good morning. Thank you for taking my question. My first one is on the capital expenditures guidance. It looks like you're guiding to a lower sustaining and capital replacement expenditures in 2018 versus 2017 and I was wondering what's driving that, especially with production having, probably increasing between now and then.

Tim Gitzel, President & Chief Executive Officer

David, clearly, as Grant pointed out earlier, our focus here now is on our tier-one strategy and that's just requiring less capital going forward. I think we have some spending to do this year related to Cigar Lake, especially with respect to the McClean mill, and then after that, as I say, we're focused on our tier-one strategy and that sees our capital coming down.

David Wang, Morningstar

Okay. But this is just in regards to the sustaining and capacity replacement capital. So you expect that to be—do you expect that to be less intensive going forward or is it just there's going to be less spending on the non tier-one assets?

Tim Gitzel, President & Chief Executive Officer

I think it should be both less spending on—I think it'll be less intensive. It should be. A new project like Cigar Lake, once you get it up and running you would hope you get a little bit of a break on sustaining for a while, so I think it's just less intensive.

David Wang, Morningstar

All right, great. And I was wondering if you have any updates on the contracting level so far through 2016 and your outlook for the rest of the year. I know you've iterated that we've seen pretty weak contracting over the past three years but I was wondering if you've seen any change toward that or if there are any potential catalysts that would increase contracting either this year or next.

Tim Gitzel, President & Chief Executive Officer

Yeah, David, I can look at Grant, who's running our contracting and sales and NUKEM piece now, but I can tell you in the month of January, we watch it very closely and there hasn't been a whole lot of activity so far this year. We'll see what the rest of the year and especially the back of the year brings, but to date it's been slow.

Grant, anything to add to that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

There have been a few of the important industry conferences occur already in the first half, in January, and so a good opportunity for us to get in front of our customers, both current and potential, and really we just see a lot of discretion right now, a view that they don't need to move very quickly. Perhaps more interest in the second half of the year but certainly not in the first half of the year. This is consistent with this price off bias that we've seen from fuel buyers for a couple of years as they look at a spot market that is oversupplied for a couple of reasons and a spot market that has obviously a sentiment overhang that you'd probably refer to as the fog of Fukushima and, quite frankly, just the fact that while there's a great reactor construction story on the planet today, those construction projects are not consuming uranium, and that's all coming together to help the fuel buyers feel like they have a bit more elbow room and so, as Tim said, we're just continuing to see a discretionary market right now.

David Wang, Morningstar

All right. Thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thanks, David.

Operator

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

Oscar Cabrera, Bank of America Merrill Lynch

Thank you, operator. Good morning, everyone. The first question relates to Cigar Lake. In your disclosure for the outlook in 2016 you've mentioned that the package production for the acid is subject to regulatory approval of McClean Lake. So when are you assuming that you will be getting this approval and, you know, can you just comment on if that's proportional to the 8 million pounds you're expecting.

Tim Gitzel, President & Chief Executive Officer

Yeah, thanks, Oscar, for the question. Alice Wong is in charge of our, among many other things, safety, health, environment licensing, and so she's been working with AREVA on this so, Alice, I'm going to ask you to comment on that please.

Alice Wong, Senior Vice-President & Chief Corporate Officer

Good morning, Oscar. I think that we have to be clear that it is AREVA who has submitted the license increase. They did, late last year, submit a commissioning report, which basically talked about the performance of the McClean Lake mill to date, up to December, and the report provides, this report kind of provides the background for the license increase. Then last week AREVA submitted a written application to the Canadian Nuclear Safety Commission to increase the license capacity. Now, to provide a little background, AREVA has already got the required environmental assessment approval and previous license documents have considered this increase. So that does simplify the process somewhat. But the CNSC does have a very thorough process for reviewing applications of this nature to increase licenses and so there's a possibility of clarifications that might be needed or additional information that might be asked for, so that does add some uncertainty to the timing. So we have, it's in their hands. We think that we expect they'll have it in time for us to meet our guidance on production.

Oscar Cabrera, Bank of America Merrill Lynch

I'm sorry to just press you now but when do you assume that that will be received? And so, you know, is the 8 million pounds assuming that they receive that in the first quarter or second quarter of this year?

Alice Wong, Senior Vice-President & Chief Corporate Officer

Well, they just submitted their license application, so they don't need to have the increase in hand. They have enough production capacity to get to 13 million pounds as an approved license, so they don't need it this early.

Tim Gitzel, President & Chief Executive Officer

Oscar, we'd like to get it—we'd certainly be happy if they got it in the first half of the year but, you know, if it's even in the back half we have approval, as Alice said, to go to 13 million pounds and would need that in place to do the 16 million pounds that we've budgeted for this year.

Oscar Cabrera, Bank of America Merrill Lynch

Okay. No, that helps, Tim. Thank you very much. And then if I may, just a follow-up on your CapEx, growth capital for 2017 and 2018, I mean obviously the levels that we've seen before this is much lower but just wondering where these dollars are earmarked for.

Tim Gitzel, President & Chief Executive Officer

Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, they're principally earmarked for McArthur River and Cigar Lake, again, consistent with that tier-one strategy, Oscar.

Oscar Cabrera, Bank of America Merrill Lynch

Okay, great. Thank you.

Operator

Thank you. The next question is from Jim Ostroff from Platts. Please go ahead.

Jim Ostroff, Platts

Yes. Good morning, everyone. I would appreciate if you could talk a little bit about Fox Lake. It's rather sort of interesting and certainly you had talked here about focusing on tier-one production, et cetera, but this appears to be rather large, so I'm just… if there's any colour, as they say, you could provide about Cameco's intentions for moving ahead with this asset at some point in the future.

Tim Gitzel, President & Chief Executive Officer

Yeah, Jim, thanks for the question. It is a nice piece of work by our exploration group, who now report to Sean Quinn, so, Sean, do you want to say a few words about Fox?

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

Sure. Just a couple of words. First, it is a validation of the good work done by our exploration group, also a validation of our continuing interest in the Athabasca Basin in Northern Saskatchewan, which continues to be a prolific source of uranium for the world. It's a very encouraging find to add to our portfolio. It will be evaluated in the context of our tier-one strategy and looked at in due course. There is no immediate plan to take it any further down the development road at present.

Jim Ostroff, Platts

Is there any timeframe at all you all could provide about a decision on, you know, doing any sort of actual exploration and production there?

Tim Gitzel, President & Chief Executive Officer

Jim, it's Tim Gitzel. You know, we're pretty happy with what we've got going at McArthur, Key, Cigar we're ramping up now, Kazakhstan. We've got enough, we think, on our plate for the time being. The fact that it's right next door to McArthur is very helpful, I would say, for the future, so we'll continue to work on the property, define the project, so it's in our longer-term plans.

Jim Ostroff, Platts

Thank you.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Thank you. The following question is from Chelsea Laskowski from MBC Radio. Please go ahead.

Chelsea Laskowski, MBC Radio

Hello. My question actually goes perfectly with the previous one. I was going to ask about Fox Lake as well. And kind of on the heels of you saying that with, you know, the fog of Fukushima, it could take a while for the need to ramp up again but it should, you know, at some point exceed what's available.

So is there any comment that you can have on how that might fit into things changing in the entire marketplace and Fox Lake possibly having a role in that?

Tim Gitzel, President & Chief Executive Officer

Chelsea, thanks for your interest and thanks for the question. Just let me give you, you know, just our two cents on the longer-term picture. We remain very optimistic about the future. We look at the demand in the uranium space, we see it growing, you know, a significant number of reactors under construction, I think 64 reactors under construction in the world today, there's about 439 operating. We see growth on the demand side and it's pretty transparent. We have a good sense of how much there is. On the supply side for uranium, not quite as transparent. You know, it's flat. Not a lot of new production coming on other than Cigar Lake. The question is how long can people hang on at these prices. And so if you look down the road ten years from now we see over 200 million pounds of demand and significantly less than that of supply and so something's got to happen in the meantime.

So that's what gets us out of bed and into work in the morning, knowing that a brighter future is coming in that regard. A project like Fox Lake just plays into that. You know, this is a long-term game. We started up Cigar Lake last year, ramped up production, we're still ramping up. That's a project that will be decades in the operation. McArthur, same thing. This is a long-term game but we always have to be thinking ahead. Reactors, when built, run for 40, 60, now 80 years, and so we need to have reserves and resources in place for a long time. So that's what Fox Lake really does for us. It's part of the future for us. We've got good production today, as you've seen, but we need to build for tomorrow, and so the Fox Lake project will be a project that will come sometime in the future in Saskatchewan but not today.

Chelsea Laskowski, MBC Radio

Certainly. And I guess just as a follow-up I wanted to see, you guys had mentioned that this was due to good exploration work that this was found; is this a very rare find?

Tim Gitzel, President & Chief Executive Officer

Well, I like to say they're all very rare finds for sure. You know, we have an exploration team that focuses on different areas in the world. Probably our biggest focus is right here in the Athabasca Basin in Northern Saskatchewan and so over years of line cutting and geophysics and then drilling you hope that you put a drill hole in the right spot, and this one seems to be a nice advanced exploration play. I certainly can't call it a mine today but it's a nice one and we'll continue to work on it. So they're not easy to find. We spend many millions and hundreds of millions of dollars, as do many others, looking for ore bodies, and we're happy with this discovery to date at Fox Lake.

Chelsea Laskowski, MBC Radio

All right, thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

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

Graham Tanaka, Tanaka Capital Management

Yeah, hi, guys. Thank you very much. Appreciate your frank answers. We're also puzzled about the supply-demand situation. We're just wondering from your vantage point in your context in the industry is the sort of extra supply really coming from the supply in a deliveries to Japan under the contracts not being used or is it from Kazakhstan? We're sort of puzzled where it's coming from.

Tim Gitzel, President & Chief Executive Officer

Yeah, Graham, thanks for the question. That is a good question. Certainly, to talk about Kazakhstan, we were talking about it this morning in a different context and looking at the numbers and seeing that today 40 percent of the world production comes out of Kazakhstan, which 15 years ago would be at least single digits, even if that. So Kazakhstan has played a big role. You know, we see a little bit of production coming perhaps this year from Husab, Namibia. The Chinese are moving ahead. Our Cigar Lake project already factored into the supply now but after that it is pretty skinny, I would say, as far as new projects go. And so, yeah, the supply side is to keep your eye on supply. I've said that for a few years. I would reiterate that. There are some inventories out there that are still being washed through and so right now I think we're in a bit of an oversupply situation but I'm not sure that'll continue. And I'm just looking at Grant and, Grant, do you want to say anything on that?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah. In terms of the spot market today, I think we would identify four sources of material that comes splashing into the market, and Tim, Tim identified the first one. Primary production has actually been performing very well. These are primary production decisions that were incented kind of in the 2010 price run up when the Chinese stepped into the long-term market and now we're seeing the consequences of those investment decisions in pretty steady primary production. Of course primary production today that's only getting sustaining and replacement capital, not growth, is going to run a depletion curve, but at the moment it's there and we see some of that in the spot market.

I think the second source that we see is the enricher underfeeding probably to a greater degree than we normally would. Enricher underfeeding is something that happens when there becomes a big difference between the SWU price and the uranium price and it makes sense for enrichers to use some of the UF_6 that's being delivered to their facility to sell into the uranium market. That adds to the oversupply. We continue to see some strategic inventories coming into the spot market, in particular the U.S. Department of Energy inventories that they use to essentially pay some clean-up bills.

And probably the last source of material that we see coming into the spot market today is from early shut downs. We've seen a number of reactors in the U.S. shut down due to economic conditions, the price of shale gas for example, as Tim highlighted earlier, and this has led to inventory liquidations. We're not talking big volumes but we're talking volumes being added to an already oversupplied spot market.

So when you say where are they coming from, that would be the four buckets that we look to and track very closely as we look at the spot market.

Graham Tanaka, Tanaka Capital Management

That's really a great perspective. How many early shut downs are we talking about, say, in the last 12 months or maybe even the next 12 months, if possible. Just to get a feel for if it's going to metre down.

Grant Isaac, Senior Vice-President & Chief Financial Officer

We can certainly look up this number and confirm it for you but I think that the U.S. had about six early shut downs that were unanticipated at the beginning of the year. In terms of what might be coming, it's hard to say. Certainly there are some reactors in merchant markets in the U.S. that are under pressure but I wouldn't dare put out a forecast on how many might be shut down.

Graham Tanaka, Tanaka Capital Management

Thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thank you, Graham.

Operator

The next question is from Fai Lee from Odlum Brown. Please go ahead.

Fai Lee, Odlum Brown

Hello. It's Fai here. Tim, in terms of the long-term growth fundamentals, and assuming this plays out the way you think it's going to play out, I'm guessing you're going to get a hockey-stick recovery. That seems to be what your pricing history has suggested. Given the difficulty of predicting an inflection point if you do get a hockey-stick recovery how do you go about planning for long-term planning purposes around that?

Tim Gitzel, President & Chief Executive Officer

Fai, you could easily sit on our board, because they ask us that every time they come in. And I'm talking about the downside. What if things don't improve as quickly? We're optimistic for the future. We look at the supply-demand fundamentals. We can see that, as I said earlier, demand growing, supply flat at best, and inventories being consumed. There has to be some reaction. But we also have to look at what if we're not right or what if it takes longer. And so that's really part of our tier-one strategy is we wanted to have correlation to the price and operating leverage to be able to put more pounds out when it does start to run, but we also wanted protection on the chance that things don't improve as quickly as they can. And, as Grant tells me many, many times, the market will pay for tier-one production, and we believe that, and so we're working hard to bring our cost down, our unit cost of production down, and really be operating from tier-one assets so that however the market turns out Cameco will be fine. And so that's really part of our strategy.

Fai Lee, Odlum Brown

Okay, great. Thanks.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

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

Tim Gitzel, President & Chief Executive Officer

Well, thank you very much, operator.

I'd just like to close by acknowledging that times continue to be tough for our industry. The challenges are real and we must be proactive to remain competitive, which I think we've done and which we'll continue to do. However, the positive outlook over the longer term is also real. The challenges we see today do not affect the "if" the market will transition from being supply driven to demand driven, they only affect the "when" that will happen. In some ways, each passing year makes the long-term story even more positive. The longer investment in new uranium projects suffers, the less supply we think there will be to compete with the likes of McArthur River, Cigar Lake, and our other projects, and that's a prospect that really keeps us excited.

So, with that, I'll say thanks to everybody for being on the call today, thanks for your continued interest in Cameco, and have a great day. Thanks a lot.

Operator

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

Annual & Q4 Results Conference Call

Q4, 2015

Cameco

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Forward-Looking Information Caution

This presentation includes forward-looking information or forward-looking statements under Canadian and U.S. securities laws, including our expectations regarding future world electricity consumption, the number of net new reactors we expect to be built, our expectations regarding future uranium supply and demand, our expectations regarding future tax payments and rates, our expectations relating to our transfer pricing disputes, and our forecasts relating to mining, production, development and other activities. This information involves risk and uncertainty, including the risk that we face unexpected development and operating risks, the risk of disruption of our operations, and the risk of changes in regulation or public perception of the safety of nuclear power plants. In addition, we have made assumptions in drawing the conclusions contained in these statements, including assumptions regarding future demand for uranium, production levels and costs, mining conditions and our ability to continue our operations without any significant disruptions. Additional information about the material factors that could cause the results to differ materially, and the material assumptions we have made, are contained in our current Annual Information Form and our current annual MD&A, which are available on SEDAR. Forward-looking information is designed to help you understand management's current views of our near and longer-term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Qualified Persons

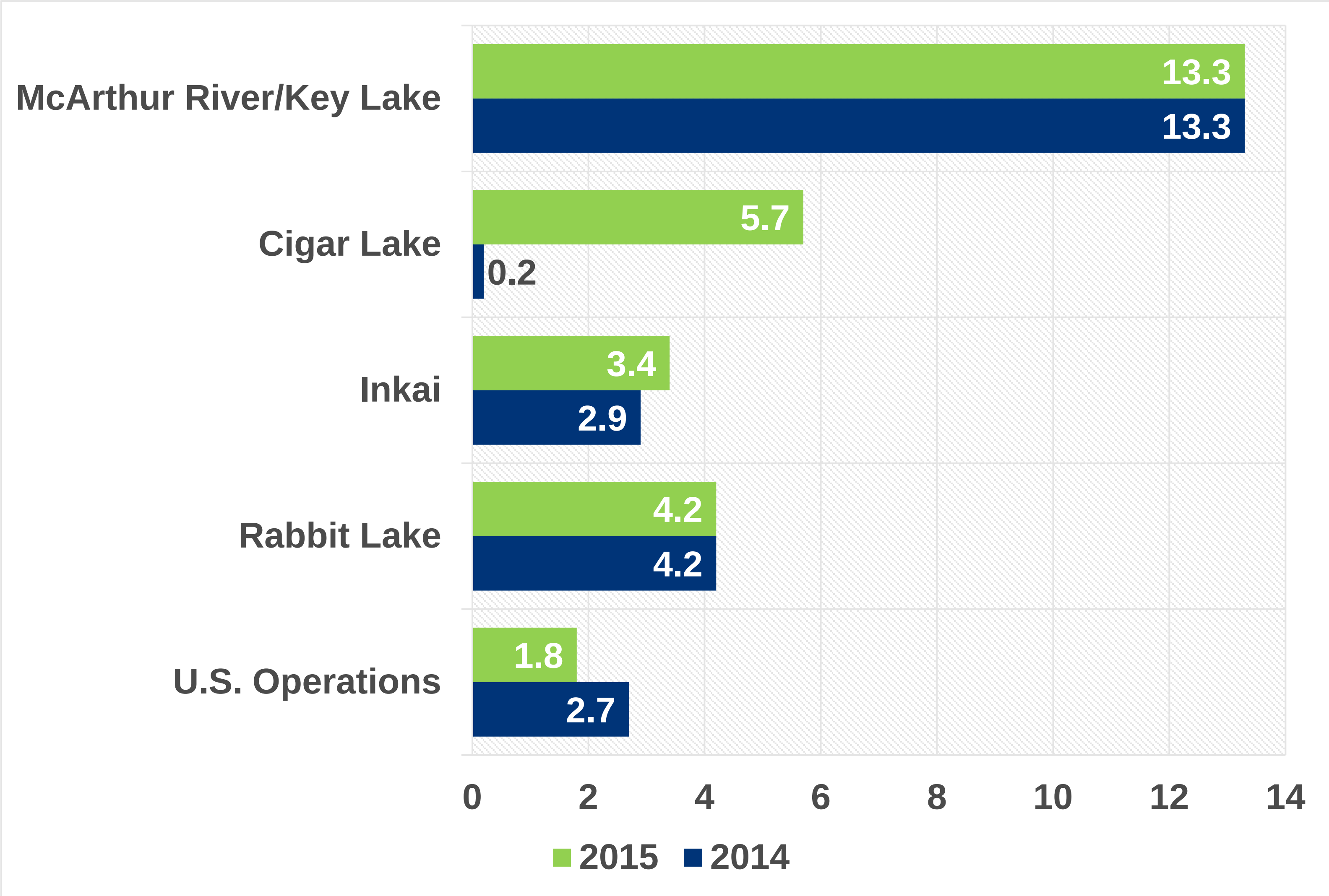
Information of a scientific and technical nature concerning McArthur River was prepared under the supervision of David Bronkhorst, P. Eng., vice-president, mining and technology, concerning Cigar Lake was prepared under the supervision of Les Yesnik, general manager, Cigar Lake, and concerning Inkai was prepared under the supervision of Darryl Clark, general director, JV Inkai. Each of these individuals is a qualified person for the purpose of NI 43-101.

Performance 2015 vs 2014

	Consolidated		Uranium		Fuel services		NUKEM	
	2015	2014	2015	2014	2015	2014	2015	2014
Production	-	-	28.4 M lbs	23.3 M lbs	9.7 M kgU	11.6 M kgU	-	-
Sales volume	-	-	32.4 M lbs	33.9 M lbs	13.6 KgU	15.5 Kg U	10.7 M lbs	8.1 M lbs
Revenue	$2.75B	2.4 B	$1.87 B	$1.78 B	$319 M	$306 M	$554 M	$349 M
Average realized price	-	-	$57.58	52.37	$23.37	$19.70	$48.82	$44.90
Average unit cost of sales	-	-	$38.83	34.64	$18.87	$17.24		
Net earnings	$65 M	$185 M						
Adjusted net earnings	$344 M	$412 M						

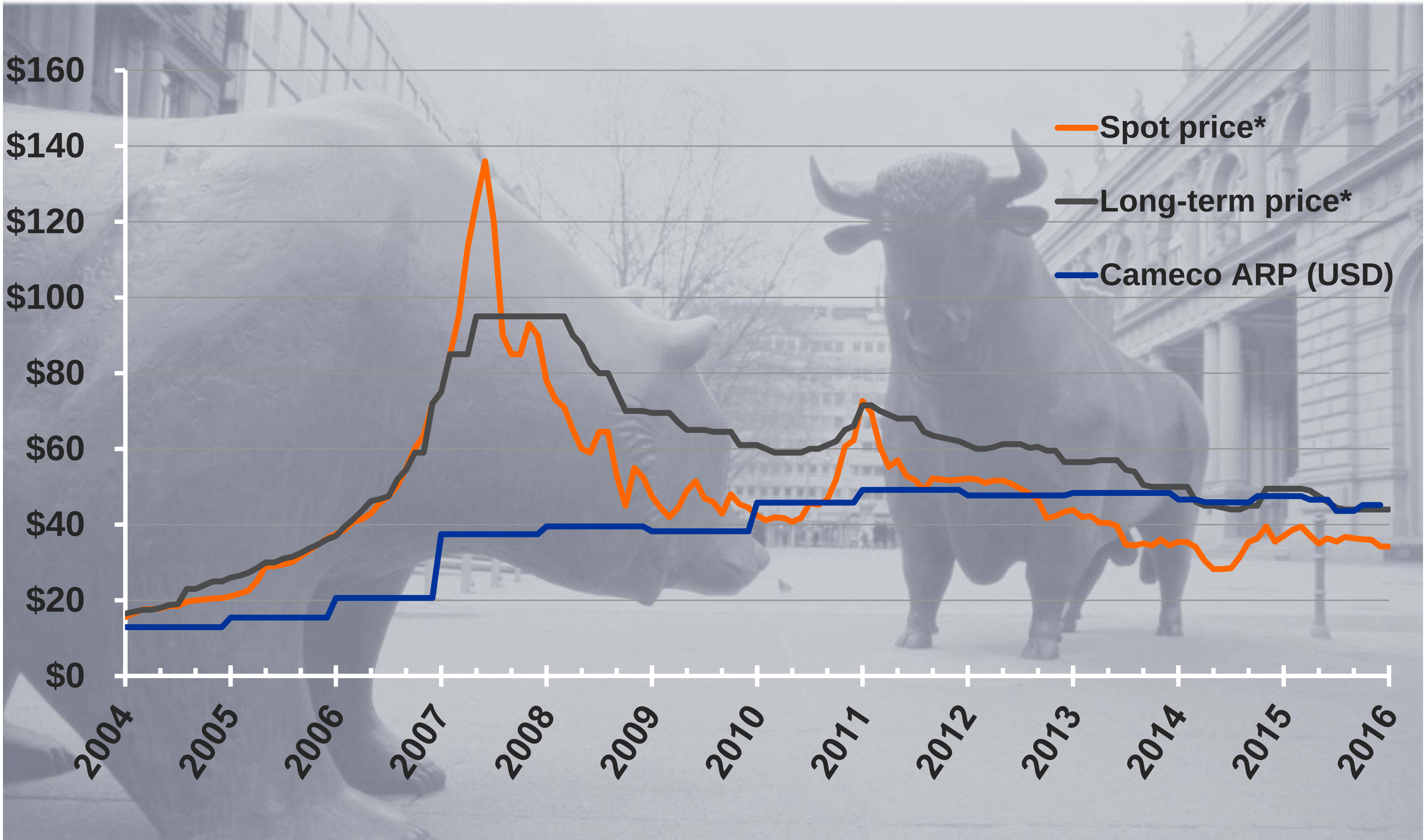
All dollar amounts in Canadian dollars

Uranium Production (M lbs)



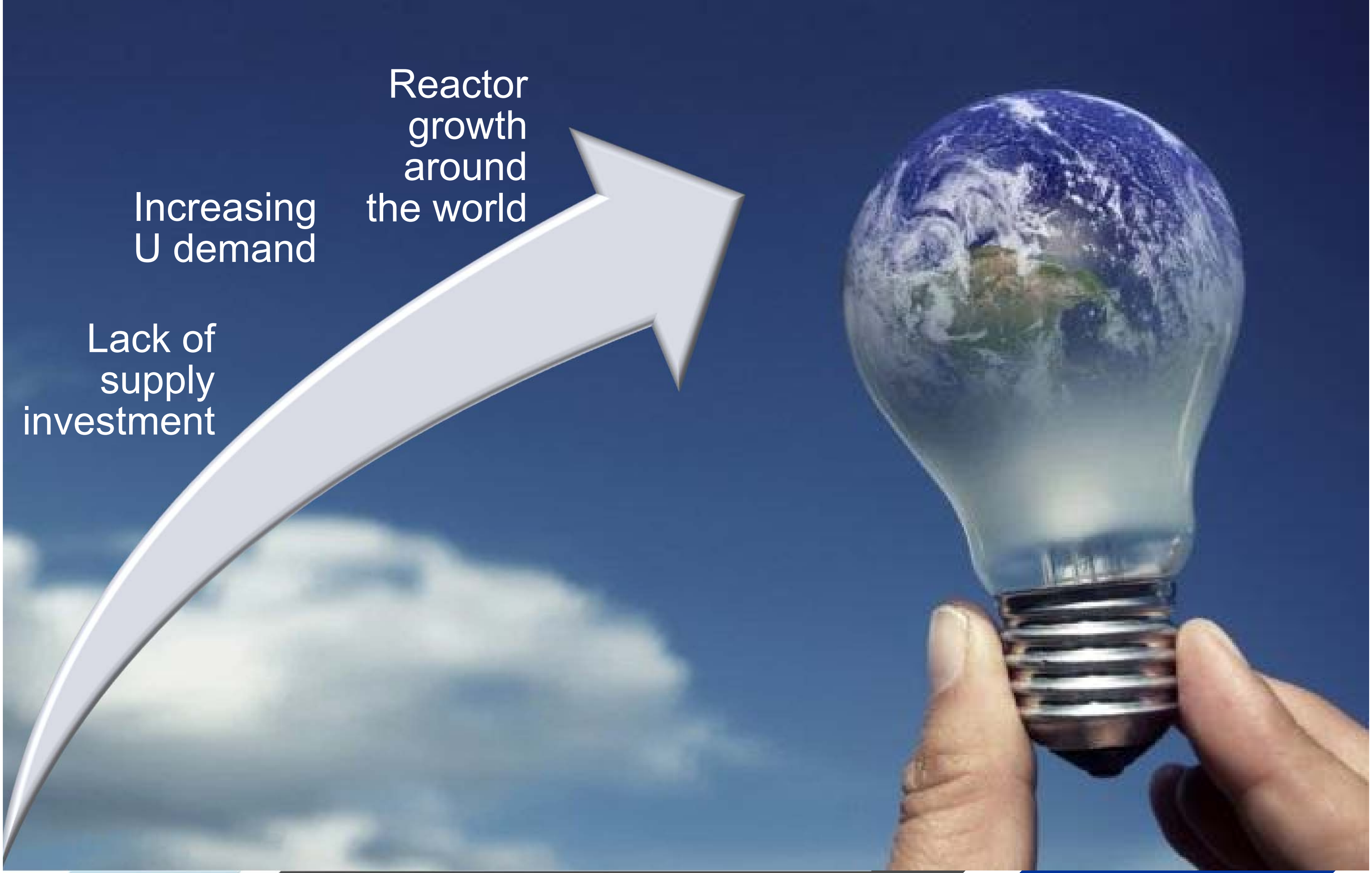
Total production 2015: 28.4 2014: 23.3

Market Challenges Persist



*Industry average (Ux and TradeTech)

Long-Term Growth Fundamentals



The Right Strategy to Succeed

- Profitable production with a focus on tier-one assets
- World-class asset portfolio
- Commitment to safety
- Low cost producer
- Continued strong results

Performance vs Outlook

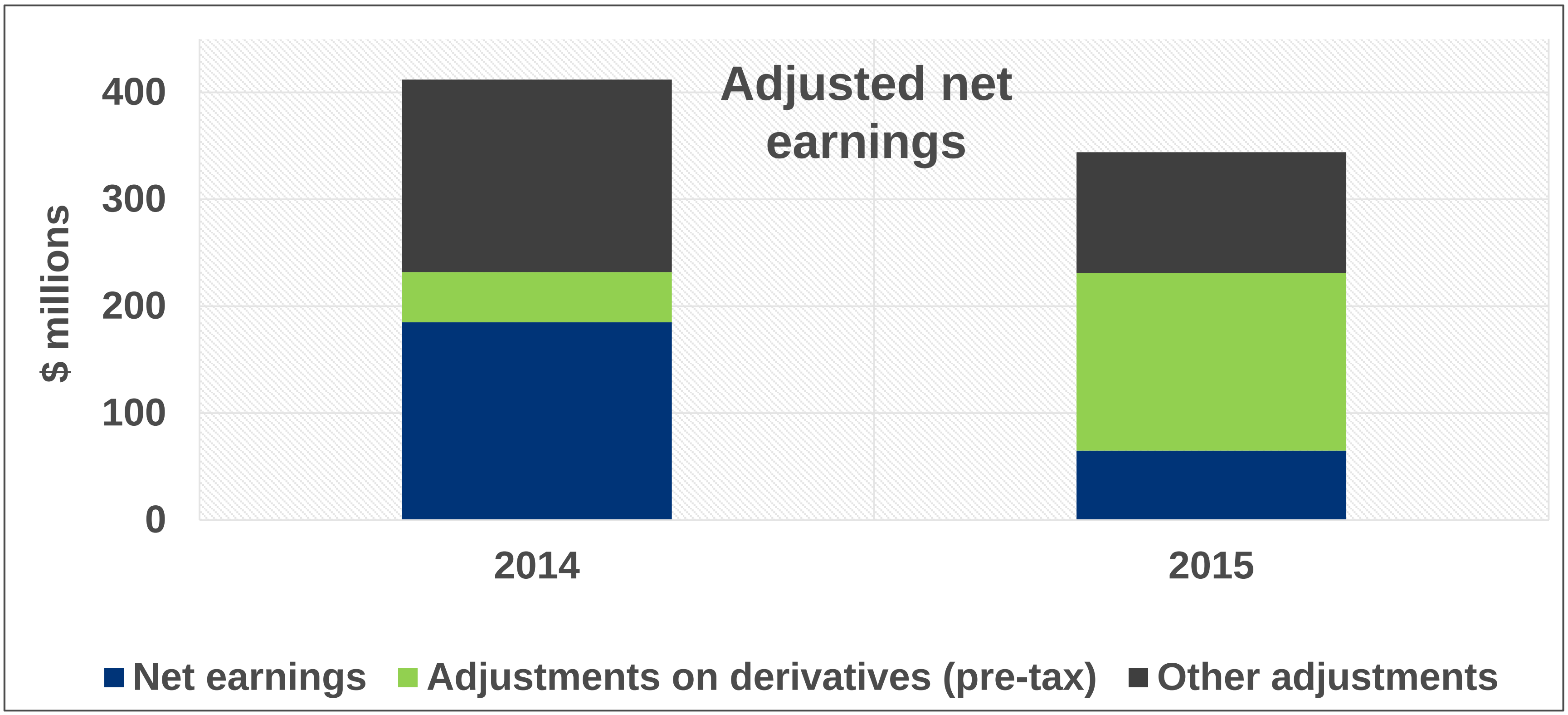
	Consolidated		Uranium		Fuel services		NUKEM	
	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan
Production			28.4 M lbs	27.3 M lbs	9.7 M kgU	9-10 M kgU		
Sales volume	-	-	32.4 M lbs	31-33 M lbs	↓ 12%	↓ 5-10%	10.7 M lbs	7-8 M lbs
Revenue*	↑ 15%	↑ 5-10%	↑ 8%	↑ 5-10%	↑ 5%	↑ 5-10%	↑ 75%	↑ 30-35%
Avg unit cost of sales			↑ 12%	↑ 5-10%	↑ 9%	↑ 5-10%	↑ 22%	↑ 15-20%
Admin	↑ 6%	↑ 5-10%						
Exploration			↓ 14%	↓ 5-10%				
Tax rate	15% recovery	25-30% recovery						
Capital Expenditures	$359 M	$385 M						

Excludes revenue between segments

All dollar amounts in Canadian dollars

Foreign Exchange Hedging

- Provides certain and predictable cash flow
- Rapid currency fluctuations – hedge position lags the market
- Adjusted net earnings* – match benefits of hedging activities with expected foreign currency exposure to which they apply



** See annual MD&A for more details on adjusted net earnings*

Tax Rate Transition

- **Intercompany purchase and sale contracts expiring**
- **Negotiating new arrangements**
- **New arrangements reflective of third-party arrangements and market at time of signing**

Tax outlook	2016	2017	2018 – 2020
Rate based on adjusted net earnings*	Recovery of 25% to 30%	Modest expense	Trend to approx. 20% tax expense

** Actual effective tax rate will vary from year-to-year depending on actual distribution of earnings among jurisdictions and the market conditions at the time transactions occur under both our intercompany and third party purchase and sale arrangements.*

Tax Disputes – What's New

CRA
Our view unchanged – confident in our position
Extended analysis to include impact if reassessed for 2015
Received 2010 reassessment, as expected
Reduced tax provision to $50 M
Court date Sept 2016 (as reported in Q3)
IRS
Received assessments for 2010 – 2012, as expected

Conclusion

- Market uncertainty continues
- Strong long-term fundamentals remain
- Cameco positioned for success

Cameco

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