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Borden Putnam

Mione Capital

Ben Elias

Sterne Agee

John Redstone

Desjardins

Orest Wowkodaw

Canaccord Genuity

Doug Collie

MBC Radio

PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Cameco Corporation Second Quarter Conference Call. I would now like to turn the meeting over to Mr. Bob Lillie, Director, Investor Relations. Please go ahead, Mr. Lillie.

Bob Lillie, Director, Investor Relations

Thank you, operator, and good afternoon everyone. Welcome to Cameco's second quarter conference call to discuss the financial results. Thanks for joining us.

With us is Tim Gitzel, President and CEO, and his executive team, who he will introduce in a moment. We are also joined by our colleague, Rachelle Girard, Manager, Investor Relations.

After his introductions, Tim will begin with brief comments on the quarter and outlook for the remainder of 2011, then comments on current industry conditions, then we'll open it up for your questions.

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

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

With that I'll turn it over to Tim.

Tim Gitzel, President & Chief Executive Officer

Thank you, Bob, and welcome to all who have joined us on our second quarter call today. With me on the call today are all of the members of our new senior executive team, who I think you are all familiar with.

This is Grant Isaac's first conference call as our Chief Financial Officer. Grant has been a member of Cameco's senior management team for some time and is now responsible for corporate strategy. His strategic insight will help us apply our financial strength to achieve our growth objectives.

The other new member of our senior executive team, Alice Wong, is no stranger to the investor community as she previously led our Investor, Corporate and Government Relations group. In nearly twenty-five years of experience with Cameco Alice has held senior positions in both the corporate and operational sides of the company and has built a broad and deep knowledge of our business. Since 2008 as Vice-President, Safety, Health, Environment, Quality and Regulatory Relations she has been responsible for dealing with one of Cameco's most important stakeholders, our regulators.

Also with us in person are Chief Operating Officer, Bob Steane; Senior Vice-President, Marketing and Business Development, Ken Seitz; and Gary Chad, our Senior Vice-President, Governance, Law and Corporate Secretary.

While there has been some change in Cameco's senior management team, some things remain the same. Each member of the team is committed to our core values, the safety of people and the environment, integrity, and excellence, and as a group we remain committed to achieving Cameco's strategic goal of doubling our annual uranium production by 2018. With that, let me turn to our second quarter results.

We are in line with our guidance for the year. As we previously advised, our uranium deliveries are heavily weighted to the second half of 2011 and, in particular, to the fourth quarter. Our sales guidance for 2011 has not changed since the beginning of the year, despite the events in Japan. We expect to deliver 31 million pounds to 33 million pounds of uranium to the market this year. We also expect revenue from our uranium segment to be 10 to 15 percent higher than in 2010 and that overall Cameco revenues will be up 5 to 10 percent this year.

Most importantly, we produced 5.7 million pounds in the quarter just ended. This brings our mine production to 10.5 million pounds, back on track for the year. After six months production at McArthur River / Key Lake has delivered 6.2 million pounds, as projected in our plan. The only variance for the first six months is at Rabbit Lake, where the annual maintenance work began before the end of the second quarter. This was to accommodate the second phase of work in refurbishing the acid plant at the mill. We expect Rabbit Lake will make up the shortfall in the third and fourth quarters and that Cameco's total production will meet our forecast for 2011. Cameco's existing mine and development assets in North America and Australia, plus our joint venture Inkai in Kazakhstan, all figure highly within the corporate strategy to double our uranium production by 2018 to about 40 million

pounds annually. This increase, as we have noted in the past, will come from assets we already own.

At Cigar Lake we are making progress in developing the ore processing areas underground. The sinking of shaft 2 has resumed and we expect to break through to the development area on the 480-metre level before the end of the year. We have received approval of our mine development and water management plans for Cigar Lake. On breakthrough of shaft 2 we can resume development of tunnels under the deposit. This, we think, reflects the confidence that our regulator has in the careful manner in which we have gone about sealing the mine, dewatering and securing it. It is through this well-planned process that we expect to begin production at Cigar Lake by mid-2013. Other development projects such as Millennium and Kintyre continue to progress through our stage gate process. Cameco's strong team in corporate development also continues to scour the world for assets that will add to our portfolio of reserves and resources. The fact is we continue to anticipate growth in demand as we remain confident that the nuclear fuel business is growing, albeit with a pause for reflection and review in some countries.

Clearly the political decision made by Germany has had a negative effect. It is also clear that the future of the industry in Japan is currently uncertain both politically and on the regulatory side; however, among almost all other long established nuclear plant operators in the world, the German nuclear phase out has not proven contagious. In the U.S., which remains the world's biggest user of nuclear power, the post-Fukushima review continues on a rational path. The early 90-day review by a special taskforce panel of the National Regulator found no immediate safety issues with any of the 104 U.S. plants. Utilities have stated that implementing some of the changes proposed by the taskforce panel will not negatively affect long-term economics of existing plants. Even more positive, the Nuclear Regulatory Commission's Chairman stated that the technology in the new reactor designs proposed for Georgia and South Carolina, with their passive backup cooling systems, already address the main safety concerns that emerged from Fukushima. As a result it is widely expected that there will be at least four new generation three reactors under construction in the U.S. within a few years. That is in addition to the construction work being undertaken now by the Tennessee Valley Authority to complete the second unit at Watts Bar. In the United Kingdom the groundwork has been laid for a number of new nuclear power stations that should be the backbone of the country's efforts to rebuild its aging electrical generating infrastructure.

To look beyond the headlines from Europe and Japan it's clear that the world's fastest growing economies are not backing away from their plans to have greatly increased nuclear power capacity as part of their energy mix. China today has thirteen operating reactors and post-Fukushima all have passed the Chinese safety inspections. By October China plans to have completed safety checks on the twenty-seven reactors currently under construction. There is growing consensus that because of the commonality of designs picked by China the process for approving additional reactor sites will also resume. In India last month concrete was poured for units seven and eight at a nuclear facility in the state of Rajasthan using the country's indigenous heavy water pressurized reactor design. The head of the Indian State Nuclear Company has declared that plans will be going ahead for another fourteen reactors of about 700 megawatts each. India is expected to have no trouble achieving its goal of doubling its installed nuclear generating capacity by 2018.

It is true that the events at Fukushima have caused some countries to pause in their plans as they assess potential nuclear builds. Nevertheless, we still expect the world will have about eighty-five net new reactors by 2020, making this decade one of the greatest growth decades in nuclear power history. Our market projections for reactor builds do not yet factor in countries such as Saudi Arabia, which has only recently declared its intent for a large-scale nuclear power program. As you know, that country has concluded it must find other ways to generate electricity rather than burning a constantly increasing percentage of its petroleum production to supply domestic power needs. So, as we have consistently said since March 11, Cameco sees solid fundamentals for the nuclear fuel business in the decade ahead and beyond. Not only do we see bright prospects in the years ahead, our ability to generate revenue is also rooted solidly in the here and now. With our extensive portfolio of long-term sales contracts we are in the enviable position of being heavily committed until 2016. This provides Cameco with financial stability as we pursue our corporate growth strategy.

At Cameco we remain confident in the long-term fundamentals of the nuclear industry. Countries that must find ways to rapidly increase their energy production are maintaining their confidence that the next generation of nuclear power technology can deliver the safe, clean, reliable power they need. For that reason we at Cameco remain focused and committed to our strategy to double production and remain among the world's leading nuclear fuel suppliers.

So with that we would be pleased to answer any questions.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from investors, analysts and media. In order to respect everyone's time on the call 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 the handset and then press star one. To cancel your question, please press the pound key. Please press star one at this time if you have a question. There will be a brief pause while participants register. Thank you for your patience.

The first question is from Brian MacArthur from UBS. Please go ahead.

Brian MacArthur, UBS

Good morning. I was wondering if you could just elaborate—I noticed your forecast for production the next five years has changed somewhat, specifically with respect to the U.S. ISL operations, could you just go through what the new forecast shows there?

Tim Gitzel, President & Chief Executive Officer

Thanks, Brian. We have slightly tweaked our production forecast in the U.S. and I'm going to ask Bob Steane to comment on that.

Bob Steane, Chief Operating Officer

The permitting and production process, we've adjusted them according to our expansion plans and the state of our current permitting progress.

Brian MacArthur, UBS

So is the pushback just the fact we haven't got permits on certain sites or they're taking longer or is this firmer than

before, can I look at it that way, or is it just we're still working through the whole process?

Tim Gitzel, President & Chief Executive Officer

Brian, I think you can take it as firmer than before. It's a bit of an evolving process for us down there. Between the NRC and the BLM and the Wyoming Department of Environmental Quality it's complicated. We've said that before. Yet it's a place we need to be and want to be. So I think it just better reflects the timing that we see now.

Brian MacArthur, UBS

Great, thanks. And maybe just a quick follow-up, again just looking at our favourite realized price chart going forward. I sort of notice it looks like, am I reading this correctly? I mean sort of in the mid-pricing range of 40s through 60, 70, 80 we've sort of knocked everything up \$3 or \$4 as we go through at every level. Can I read that to be fair to say now we've worn out some of the older historical contracts that were really weighting it down?

Tim Gitzel, President & Chief Executive Officer

Brian, that is indeed the case. I think we update it as those come off and so those would be the new numbers you'd see.

Brian MacArthur, UBS

Great. Thank you very much.

Operator

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

Greg Barnes, TD Securities

Thank you. Tim, with Japan obviously questioning the future for nuclear power in that country and a lot of press reports about the potential for the reactors all to be closed by next spring if they don't get these safety checks, I know they've been approved, but the states don't allow them to move forward, what impact do you see on your business from that occurring?

Tim Gitzel, President & Chief Executive Officer

Thanks, Greg. First I have to say personally at least I have trouble seeing how that could happen, how Japan could take them all down at the same time, and certainly on any kind of a longer-term basis. But, that said, we obviously are looking at that and looking forward. I think I can say, and then I'll pass it over to Ken Seitz, who's got more detail, but Japan going forward, if you look at our entire sales portfolio going forward, Japan would represent probably in the 17 percent range of that portfolio and so it's not insignificant, but that's what it would be for us. Ken, I'll ask you if you have any further comments.

Ken Seitz, Senior Vice-President, Marketing & Business Development

Absolutely, Tim. Thanks.

Greg, as Tim said, our overall portfolio long-term commitment is about 17 to 18 percent. In 2011 Japan represents about 12 percent of our deliveries. And we expect to make all of those deliveries with the exception of about 700,000 pounds, which we have agreed to defer for one Japanese utility, and that's about 2 percent of this year's delivery. And we still intend to be well within our guidance of 31 to 33 million pounds.

But, going forward, if your question is permanent phase out of nuclear in Japan, it would be a case of us working with those customers, and depending on what that phase out might look like, 17 to 18 percent of our portfolio being liberated for resale so we would have those volumes to place back in the market. I can tell you that some of those contracts with Japanese customers would be at prices lower than today's market prices and some would be higher. So it would be a matter of how that plays out. But, as Tim said, that's not something that we see as realistic and today we're not cancelling any volumes with Japanese customers, we're just looking at deferrals.

Greg Barnes, TD Securities

Okay, thank you. Just a follow-up then too: Switching topics to Cigar Lake, you've said you're looking at various initiatives that could favourably impact some of the estimates on that OpEx, CapEx, and things like that. What kind of initiatives are you looking at?

Tim Gitzel, President & Chief Executive Officer

I can't give you specifics at this time, but I can tell you that similar to the surface freezing, for instance, that we came up with our engineers that came up with this, we're always looking for better and innovative ways, it would be in that order, things like that. So as soon as we have a better handle on those and whether they're implementable we'll certainly provide details on that.

Greg Barnes, TD Securities

Okay, thanks.

Operator

Our next question is from Borden Putnam from Mione Capital. Please go ahead.

Borden Putnam, Mione Capital

Good morning, Tim. Can you hear me?

Tim Gitzel, President & Chief Executive Officer

Absolutely, Borden. Good morning.

Borden Putnam, Mione Capital

Congratulations on hosting your first call. It's going really well. Really well deserved.

Tim Gitzel, President & Chief Executive Officer

Thank you so much.

Borden Putnam, Mione Capital

A question on McArthur River: I was looking back at the life-of-mine plan that you guys provided in 2008, and I know that's a bit in the past now and things might have changed, but it called for 300,000 pounds of production out of box hole boring testing sometime in 2011. Have you done that, are you going to and, if you do, what part of the mine will it be done in?

Tim Gitzel, President & Chief Executive Officer

You know, Borden, I don't have the 2008 piece in front of me, but I can tell you we've certainly evolved since then. And I say evolved in the sense of our technology has gotten better, our freezing, we've got a better handle on how we can freeze now out into the sandstone and go above the ore bodies, which we previously didn't think we could do. And so that has negated, to some extent, our need for box hole boring and other mining technologies that are only used from underneath the ore body. And so we've done some testing on box hole boring, but we certainly haven't produced any pounds from it and the need for that is, I would say, waning.

Borden Putnam, Mione Capital

Interesting. Well this is not my follow-up, but that would suggest that this might be some of the advancements that might apply to Cigar as well, so I'll be interested to hear more about that. Congratulations on that improvement or that advance.

My follow-up was going to relate to your comment in the MD&A. It says that the 2013 production at McArthur River may be a bit lower as you transition into upper zone 4, and again looking back at that production, that life-of-mine plan, I'm not seeing, I didn't think you had a lot of production coming in 2013 out of upper zone 4, so where is there going to be a loss in production during that transition? Because it looks to me like you're still going to have 18.7 million pounds. What do you think it's going to come in it at now and where's the missing pounds?

Tim Gitzel, President & Chief Executive Officer

Borden, let me ask Bob Steane to give some detail on that.

Bob Steane, Chief Operating Officer

Borden, as we've been working through our life-of-mine plan, zone 4 north is becoming more and more important to us, and that is where we are seeing this transition to that in 2013.

And also that's the area where we are advancing in what we call the cathedral freezing, which is what Tim talked about, where we are, in very innovative ways, being able to create freeze curtains around ore in places that we didn't think we could get and extend freeze curtains in the

past. So that's when we see this transitioning into that area through that 2013 timeframe.

Borden Putnam, Mione Capital

So is it the lower zone 4 that's going to be slowing down at that same time, Bob?

Bob Steane, Chief Operating Officer

Well it's just going through the transition into lower zone 4 and upper zone 4. That's the area where we will be transitioning through. So it's a combination of those.

Borden Putnam, Mione Capital

All right. Thank you.

Operator

Our next question is from Ben Elias from Sterne Agee. Please go ahead.

Ben Elias, Sterne Agee

Thanks for taking my question. I had a question, I guess that was already answered, but the second question, you know, AREVA has taken some write-down on some of their mining assets or potentially will, you know, as you look at your asset portfolio and you look at the new demand outlook you have over the next ten, twenty years, how confident are you that the costs there will be reasonable and could support some of the investments you're making in these areas?

Tim Gitzel, President & Chief Executive Officer

Ben, I think we're blessed with a good suite of assets that are, ah, and you've seen it in through our technical reports that we've put out, you've seen some of the operating costs that we're projecting life-of-mine going forward. So we watch that very close. We're comfortable with the projects that we're advancing that they will be in the ballpark. Obviously, we will watch where the price of uranium goes and right now we're moving our suite of projects ahead to have them ready, you know they take many years to bring on, to have them ready to go, and as the market calls for that uranium we'll be ready to deliver.

Ben Elias, Sterne Agee

Okay. And you mentioned you've been looking for investments for the last two to three years and haven't found anything; has the sort of downturn that we've seen had, you know, what's been the change in some of those assets that are available or not available or the economics of some of those potential acquisitions?

Tim Gitzel, President & Chief Executive Officer

Ben, we look at a host of things when we're evaluating any kind of property. Obviously the acquisition cost would be just a part of it. And you're indeed right that I would say over the last months now, especially since Fukushima, some of those acquisition numbers have come down. But we also look at the operating cost, the construction cost, we look at the geopolitics, we look at the geology. So it's a whole suite of factors that we'll evaluate on any project. But I can tell you that we have a dedicated team, a business development team that, as I said, I think is scouring the world and will bring back projects that make sense to Cameco.

Ben Elias, Sterne Agee

Thank you.

Operator

Our next question is from John Redstone from Desjardins. Please go ahead.

John Redstone, Desjardins

Thanks very much. Most of my questions, as I always say, have already been answered, but I'll come back to my favourite project, Kintyre, inasmuch as since the disaster in Japan I wondered if you'd seen any noticeable change in the relevant authorities in Australia towards the development of that project?

Tim Gitzel, President & Chief Executive Officer

John, we haven't. We've been working hard to advance the pre-feasibility study, as you know, on that project. We've been working closely with the state government and state officials and can say they've been supportive of our efforts. We've also been working with the Martu

people, another important part of our social license if you like. Had them over here for a visit first two weeks of July and so that's progressing. We're pressing along, I would say, on all fronts and hope to have our feasible study in the first quarter of 2012. So I don't think we've seen any increased requirements at this point.

John Redstone, Desjardins

Okay, thank you.

Operator

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

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

Orest Wowkodaw, Canaccord Genuity

Good morning and thanks for taking my call. My question just revolves around your spot market purchases, whether, um, just curious what your current view is right now whether you think some of that excess cash to buy material at current, you know, at the \$50 mark makes sense and whether you are seeing, both the Japanese and German utilities, whether you are seeing them enter the market to liquidate inventory.

Tim Gitzel, President & Chief Executive Officer

I'll just open by saying that we've been quite interested to follow the spot price and see where it's at, and it's hanging in. I saw it even bumped up this week a bit. So it's been in the \$50 range. Long term has held pretty firm at \$68, which is also encouraging, I would say, for us.

As far as our purchases, I think we watch that very closely and on the dips we would get involved. Japan and Germany, are they going to put material on the market or the spot market? It's possible. I can tell you we'd be interested if they did, and we've talking to some of the Japanese utilities about that, and if they were interested we'd be interested in talking to them.

So, Ken, I don't know if you have anything to add to that.

Ken Seitz, Senior Vice-President, Marketing & Business Development

No, just that I agree. I would say that, you know, if the question is buying uranium at the \$50 range, we always buy, we're always in the market at various price levels, either buying or selling uranium depending on our own commitment levels and whether we think it's a good deal. So would we step in? Just as you said, Tim, with some excess inventories coming to the market, absolutely we would. But we also, just in the normal course, always buying and selling uranium.

Orest Wowkodaw, Canaccord Genuity

And during Q2 specifically, would you characterize that as sort of a typical quarter from a spot market purchase perspective or were you guys less active?

Ken Seitz, Senior Vice-President, Marketing & Business Development

I would say we were less than active in the spot market purchasing. That's not to say that volumes weren't similar to what they were last year, in fact you probably saw quite similar volumes, but we saw a lot of material just trading ends among the financial players, among the traders, to get those volume numbers up. For ourselves, like many, I think customers as well, just sort of waiting to see how this market plays out going into the fall. So we were not active with purchases in the second quarter.

Orest Wowkodaw, Canaccord Genuity

Right. Thanks very much.

Operator

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

Greg Barnes, TD Securities

Tim, if we look out to 2014, and let's assume the HEU agreement is terminated and you're not getting any more of that material, how do you see your volume sales profile evolving?

Tim Gitzel, President & Chief Executive Officer

Yes, Greg, we intend to maintain our sales profile through those years. We will have Cigar Lake starting up in that period, obviously, to fill some of the gap left by the HEU. We also have some inventories that will be available. So we, our goal and our plan is to maintain our sales levels.

Greg Barnes, TD Securities

How much do think you'll be having to sell from inventory or from material purchased?

Tim Gitzel, President & Chief Executive Officer

I don't know if I have that number in front of me. It'll depend on how the ramp up of Cigar Lake goes and our production from our other sites, but certainly we have enough inventory. We have significant inventory and enough to fill the need in 2014 and going forward if we need it.

Greg Barnes, TD Securities

Okay. Thank you.

Operator

Once again, if you have a question, please press star one at this time. Our next question is from Doug Collie from MBC Radio. Please go ahead.

Doug Collie, MBC Radio

Hi. I joined this discussion a little late so I just wanted to know what the name of the person is who started the call who introduced the new members of the management team.

Tim Gitzel, President & Chief Executive Officer

So, Doug, it's Tim Gitzel from Cameco. I'm the President and CEO.

Doug Collie, MBC Radio

All right. Thank you very much.

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 to Mr. Tim Gitzel for his closing remarks.

Tim Gitzel, President & Chief Executive Officer

Well thank you very much, operator, and thank you to everyone that's joined us on the call today.

In conclusion I would say we certainly agree and we've stated these are challenging times in the nuclear industry, but we do see the fundamentals for our business as being strong and presenting an exciting opportunity for our new team here at Cameco. Together with our talented employees and world-class asset base our team continues to be focused on the safe innovative execution of our business plan for the benefit of all of our stakeholders. So I say to all of you thank you again for joining us and have a great day.

Operator

Thank you. The Cameco Corporation Second Quarter Results Conference Call has now ended. Please disconnect your lines at this time. We thank you for your participation.
