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PRESENTATION

Rachelle Girard, Manager, Investor Relations

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

With us today are four of Cameco's senior management team. They are Tim Gitzel, President and CEO; Bob Steane, Senior Vice-President and Chief Operating Officer; Grant Isaac, Senior Vice-President and Chief Financial Officer; and Ken Seitz, Senior Vice-President and Chief Commercial Officer. Tim will begin with comments on Cameco's results for the second quarter and on current industry conditions. Then we will 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 and then return to the queue.

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

With that I will turn it over to Tim.

Tim Gitzel, President & Chief Executive Officer

Thank you, Rachelle, and welcome to everyone who has joined us on the call today as we discuss Cameco's second quarter results.

As expected, we saw lower delivery volumes this quarter, which contributed to lower revenue, gross profit and net earnings compared to the second quarter of 2011. Our results are heavily influenced by our deliveries and, as is often the case, our deliveries this year are heavily weighted to the fourth quarter. What is most important is that we remain on track with our sales, our revenue, and our production guidance for the year so I can say no change there.

In Q1 we talked about most of the factors that affected us this quarter, namely higher expenditures for exploration and administration, the fact that our deliveries for the year would be lowest this quarter and the \$30 million contract termination charge. That charge will be made up and

more as some of the material has already been placed into higher-priced contracts and we expect to place the remaining volumes as well. Another factor was our average realized uranium price, which was 10 percent lower than Q1 of 2011. This just means that more of the deliveries this quarter were for materials in lower-price contracts. So you can expect to see variance in our average realized price but overall, as we move out of lower-price contracts that came into effect when uranium prices were lower and into higher-price uranium contracts, we expect to see a general trend upwards. The decreases we saw were partially offset by positive returns from our electricity segment, which benefitted from Bruce Power achieving a 16 percent increase in its generation for the quarter over Q2 2011.

If we move to our operations I'm happy to say that they've performed safely and responsibly. Safety, as we always point out, is a top focus for us and is key to our success as a company. Production this quarter was down from the second quarter of 2011, which we expected, and we remain on track with our yearly guidance of 21.7 million pounds. The decrease this quarter is partly because of the lengthened regulatory review process at Smith Ranch-Highland we talked about in Q1 but largely because of lower production from McArthur River. This is a result of normal course fluctuations that occur throughout the year as well as some planned maintenance shutdowns. Good news I can report at McArthur River this quarter has to do with the risk to 2013 production we mentioned in our annual MD&A. There was a possibility that production could be effected when we transitioned to the upper mining area of zone 4 in 2013. However, we've made productivity improvements on cycle times and changed the sequencing of the raises in zone 2, mitigating that risk, so we're very pleased with our team's achievement in that regard.

At Cigar Lake we continue to make solid progress. Many of the milestones that we laid out for the year have been achieved. Shaft 2 has been sunk to its final depth of 500 metres and we're now installing infrastructure. We've also lowered the main components of the jet boring machine underground and have begun assembly. Testing of the system will occur later this year. And the Seru Bay pipeline has progressed to the point where we can use it in the event of a non-routine inflow. So I can report that progress at Cigar Lake is going very well. We also made progress on our development projects this quarter. Our agreement with the AREVA Resources to purchase their 28 percent interest in the Millennium project closed and with that our interest in the project increased to about 70 percent. We are very pleased with this acquisition and will continue to advance the project toward a development decision.

We also completed the pre-feasibility study at Kintyre this quarter and announced those results in our MD&A. The economics of the project are not as favorable as we had hoped. As we reported, for the project to be economical we would need a \$67 uranium price or 62 million pounds of packaged production at the current uranium price. However, we've decided to continue to move to the feasibility stage and have accelerated our exploration drilling. The aim is to improve the economics of the project by expanding the resource base and have the project ready when the market improves. So I want to emphasize that this is not a production decision but rather the next step in our stage gate process. We are not going to develop Kintyre at any cost. As you've seen throughout our history, we are a financially disciplined company and the project must make sense economically for us to go forward with it. One thing we did move forward with on the quarter was the acquisition of NUKEM Energy, one of the world's leading traders of nuclear fuel products. We're excited about this acquisition as it strengthens our position in nuclear fuel markets and improves our access to secondary and unconventional sources of supply. This isn't part of our Double-U strategy but it is a way to enhance our business by gaining better access to another aspect of the uranium market.

If we consider the market this quarter we didn't see a lot of movement. In terms of the uranium price, it has remained quite stable, and not a lot of contracting occurred, which is often the case for the nuclear industry at this time of year; however, we are starting to see some of those catalysts occurring that we've been watching for. The biggest one of course was the recent restart of the Ohi reactors 3 and 4 in Japan. Though Japan's future energy mix is still being debated we believe the Ohi reactor restarts will help pave the way for more restarts of the Japanese nuclear fleet. The government continues to put reactors through the stress test process to ensure that they are technically safe and also passed a bill to establish a new independent nuclear regulatory body, which is expected to come into force in September. We've also seen some Japanese utilities coming to the market to contract for uranium. So we believe that these restarts are just the beginning and that these restarts, along with further restarts and new reactors coming online in China and utilities continuing to return to long-term contracting, will help move the industry away from its current near-term uncertainty.

I know the big question that you, our investors, are trying to determine is when exactly that will be. I don't have the answer to that but would just say that when the market does move it tends to move quite quickly, as we saw in 2007 and again, in 2010, and the long-term fundamentals are there to support positive movement in the industry.

Ninety-five net new reactors are expected by 2021 and more than 60 of those are under construction right now. That's huge growth for our industry and we're just starting to see that new construction start to edge into the market. China started up a new reactor in Q1 of this year and if we look at the rest of 2012 and into 2013 we expect to see at least seven more reactors come online in China, as well as others in South Korea, Russia, Argentina, Slovakia, India, and even three restarts here in Canada. And this is occurring as we near the end of the big secondary source of supply.

The end of the Russian highly enriched uranium commercial agreement in 2013 will remove a significant source of supply from the market, about 24 million pounds per year. This is happening at the same time as questions are being raised about new supply, as we've been seeing several new projects delayed or even canceled. It's this combination of increasing demand and decreasing supply that makes us confident that our strategy to increase uranium production to 40 million pounds by 2018 remains the right strategy and the best way to build value for our shareholders, so we continue to pursue that goal and we remain on track to achieve it.

Just before we turn to questions I'm going to ask Grant to talk a little bit more about the \$30 million contract termination fee just so that we can clear up any misunderstanding. Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thank you, Tim.

I'd just like to discuss our treatment of the \$30 million contract termination expense which we had previously disclosed in our Q1 update. It shows up in the other income line of the consolidated statement of earnings as an expense and we did not adjust earnings for this as a one-time expense because we expect to recoup the charge as we deliver the material into higher-priced contracts. Based on the way the Company is structured, if you were to adjust for it, it would add about \$0.07 per share to our adjusted earnings; however, once again, we did not feel that was the appropriate treatment given the future benefit we expect to receive.

Tim Gitzel, President & Chief Executive Officer

Very good. Thank you, Grant. And with that we'd 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 today we will take your questions and allow one follow-up question. Then, if you have further questions, please return to the queue and we will get to them after others have had their chance. If you have a question, please press star one on your telephone keypad. If you are using a speakerphone, please lift the handset and then press star one. To cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register for their questions. Thank you for your patience. The first question is from Ralph Profit from Credit Suisse. Please go ahead.

Ralph Profit, Credit Suisse

Good afternoon. Thanks for taking my question. With what we're seeing in the U.S. DOE, the Kintyre economics, and sort of the realized price, how are you thinking about the 60/40 contract pricing strategy? Do you think that's still the way to go for Cameco?

Tim Gitzel, President & Chief Executive Officer

Yeah, we do, Ralph. In the long term we think that's our best combination. I'm just looking to Ken. Ken's been doing a lot of work on that with his team over the last few months I would say just on that question, because we have thought about it here. Ken, can you comment on that?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Absolutely. That's a good question, Ralph. And Tim's right; we've looked at our contract mix and what it's meant for us in terms of average realized price and the type of hedge that we have with the 40 percent and so on and we think it's the right strategy for us. Your points about Kintyre and the DOE are well taken. That said, we're a long-term company, we take a very long-term view, and so a 40 percent base escalated we have a nice hedge but we still leave ourselves open to the upside that we see in the market with the 60 percent market related of course writing floors into those contracts to cap ourselves, limit ourselves on the downside. So, for us, we

continue to believe it's the right mix for us and it's the one that we'll continue to pursue.

Ralph Profiti, Credit Suisse

Thanks for that. And, just taking that further, are there any fixed-price contracts that you're realizing that when you combine them with the escalators are now at or above the spot price contracts? Is there any of that going on? And if you can compare that to, say, six months or a year ago.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

If your question is whether we have base escalated contracts today that are above the current market, we absolutely do. We did a significant amount of contracting in the 2007 through 2010 period when we believed the prices were quite good. And of course prices have come off since then and so, yeah, we have contracts in place that are above the current market.

Ralph Profiti, Credit Suisse

Okay, great. Thanks very much.

Operator

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

Greg Barnes, TD Securities

Thank you, operator. The question is around Kintyre and your Double-U strategy: If it's not making the grade now is that going to impact your ability to get to 18 million pounds, sorry, 40 million pounds by 2018?

Tim Gitzel, President & Chief Executive Officer

Greg, thanks. We have a suite of projects that we're moving forward right now, most significant of which of course is Cigar Lake progressing nicely. So with our production today around 22 million pounds, Cigar should bring us 9 as we ramp up, we'd be over 30 million pounds, and then it's going to be a combination of the suite of projects that we have, including our U.S. assets, Kazakhstan and McArthur, we are working on that, and

others that will get us to the 40. So I can say we're still holding our guidance on the 40 million by 2018 and we believe we can achieve that.

Greg Barnes, TD Securities

Okay. Second question: On the quarter, the realized price of \$42 a pound was very low versus what you've done over recent quarters and your price guidance does suggest, your price sensitivity table does suggest that 2012 is somewhat of a low point for you in your realized price, so are you coming off from very low-priced contracts now and they'll be done and you can move forward from here?

Tim Gitzel, President & Chief Executive Officer

Ken, you want to answer that?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Sure. Yeah, there's a few things that work there, Greg. One is, yes, we continue to close out lower priced contracts, and that's happening at the moment. In the last quarter we also delivered a greater number of market-related deliveries, and you see that effect in the price table in that our current portfolio, the one as we look forward, is a little less exposed to market-related prices, so you get into those higher prices in the price table you can see that we're off a little bit because we just have a little less exposure to the market at the moment. But you're right; I mean if you look at the price table and you look at future years you can see the effect of the various price scenarios.

Greg Barnes, TD Securities

So a little bit less than 60 percent market related right now?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

A little bit, yes.

Greg Barnes, TD Securities

Like 55 percent?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

You know, I'll just say we continue to target 60/40 and in this price environment we'd certainly like to write some more market-related contracts.

Greg Barnes, TD Securities

Okay. Thank you.

Operator

Thank you. Once again, please press star one at this time if you have a question. The next question is from Edward Sterck from BMO Capital. Please go ahead. Mr. Sterck, your line is open.

Edward Sterck, BMO Capital Markets

Good afternoon, gentlemen. I've got two questions. The first is on the realized uranium price and just following on from the last question: Would it be fair to assume that the deliveries that have been deferred until the end of this year or the fourth quarter will be higher-price deliveries relative to the ones that were called during the second quarter?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, I guess that's fair to say. If you look at the price table and the outlook there, that's right.

Edward Sterck, BMO Capital Markets

Okay. And then the other one is just on a general market related question, just with respect to China: Has there been any indication yet that China has started issuing new reactor construction licenses or are they still on hold after Fukushima?

Tim Gitzel, President & Chief Executive Officer

Yeah, Edward, it's not crystal clear for us. Clearly they're continuing on with their aggressive program right now. I think 15 units in operation, 25, 26 under construction. And then I think what's happened is they've passed some

safety tests and some safety landmarks that they needed for the future program. So we haven't heard a crystal-clear announcement out of them going forward but we know their plans are to continue building going forward. So we have, I think, in our estimate, 60 to 70 gigawatt by 2020. So that's the latest update we've got.

Edward Sterck, BMO Capital Markets

Okay, that's great. Thank you very much.

Operator

Thank you. The next question is from Tyler Langton from JP Morgan. Please go ahead.

Tyler Langton, JP Morgan

Thanks. Good afternoon. I just had a quick question on the, I think you said you expected a third of your 2012 deliveries to be in the fourth quarter and just wanted to see, you know, is there any chance that customers could push that back into 2013 or is that pretty firm for the fourth quarter?

Tim Gitzel, President & Chief Executive Officer

I think that's pretty—that's what we know today. You know, the customers have some flexibility on which quarters they take it in but we stand by our prognosis that about a third of our deliveries will be in the fourth quarter.

Tyler Langton, JP Morgan

Okay, thanks. And then just some Chinese imports of uranium have been down pretty significantly year to date throughout 2012 and I just wanted to see if you have any sense or seen any signs that those could sort of pick up in the second half or any increased activity on that front.

Tim Gitzel, President & Chief Executive Officer

I think, and I'll look at Ken, but I think as far as we know the deliveries that we are planning to make into China this year are on track and so I haven't seen any change from our point of view. Ken, I'd ask you?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

That's right, Tim. There is one, I guess, little nuance to it, and that is the Kazakh and Uzbek deliveries to China are being held up at the border at the moment and there's just some complications with import from those two countries into China, which are expected to clear in fact next month, which will allow those deliveries to flow. So I think we'll see the import numbers into China pick up into the latter part of the year.

Tyler Langton, JP Morgan

Great. Thanks so much.

Operator

Thank you. The next question is from John Hughes from Desjardins Securities. Please go ahead.

John Hughes, Desjardins Securities

Thank you, operator. Just two quick ones. Just to quantify the fourth quarter expected sales number, are we're looking sort of 10.5 to 11 million pounds of sales volume in Q4?

Tim Gitzel, President & Chief Executive Officer

Ken?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, I think we probably don't put out exact numbers and I think we just stick with the percentages that we provided earlier, and that is if you look at the latter two quarters of the year, about half of our sales remain to be delivered and a little more heavily weighted to the fourth quarter.

John Hughes, Desjardins Securities

All right, because I know you had a great sales number in Q4 last year, close to 14 million if I recall.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

It's not quite that number this year but, ah, so it's a little more evenly distributed between the last two quarters but, again, just a little heavier in the fourth quarter.

John Hughes, Desjardins Securities

And will there be any significant change in split between produced and purchased over the second half of the year?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

No.

John Hughes, Desjardins Securities

Okay. And last question: You noted the Japanese utilities that had come into the market I guess over the second quarter for uranium; are they, or can you tell, are they the two reactors at Ohi that have restarted or are these other reactors in Japan?

Tim Gitzel, President & Chief Executive Officer

Yeah, we won't say who they are, but what I will say is in general, you know, we deal with all of the Japanese utilities and we're in constant contact with them, we have agents over there. There is optimism, certainly fueled by the restart of Ohi 3 and 4, that Japanese fleet will be brought up overtime, starting with those two, and we expect a few more this year yet and then coming on. So I think the utilities, we've been working with all of them to help them manage, we've been clear on that, manage their inventories, and so there's some optimism in Japan that things will come back. I think there's a lot of work that is being done in the country more on a political side to determine what role nuclear energy will play in the country going forward, and we'll see a lot more debate on that I think over the next months, but certainly it was a good sign in July when the two Ohi reactors were brought on. So to your question I guess utilities are expecting to bring their units up at some point and will need fuel and are managing their fuel in that way.

John Hughes, Desjardins Securities

All right. Thank you very much. That's it for me, operator.

Operator

Thank you. The next question is from Ian Parkinson from CIBC. Please go ahead.

Ian Parkinson, CIBC World Markets

Thanks for taking the call. Just getting back to Kintyre, I know Greg asked a few questions already but is the intention to go to feasibility with the existing resource or might we see a resource update prior to the completion of the feasibility study?

Tim Gitzel, President & Chief Executive Officer

Yeah, Ian, that's a big part of it. We put drills on the program now it's in sight. We're looking to increase the resource. I think we pointed out in the quarter that you need price or pounds, I guess, to make the project look good. And so clearly on the pounds side we've increased our budget to drill around the ore body to see if we can uncover some more resources there. So that's what we're doing.

I think, I look at Bob, but we'll be running that program, or Ken, to the end of the year and we will hopefully have some results there, obviously as we go along, but by the end of the year and into next year.

Ian Parkinson, CIBC World Markets

Okay, great. And on the political situation in WA, can you remind me what sort of level of political support we have for uranium mining in state?

Tim Gitzel, President & Chief Executive Officer

Yeah, today it's very strong. We certainly know the Minister of Mines well and the government have been very encouraging to us to move the project forward, very helpful to us. They've visited us here in Canada several times and we certainly have gone over there to visit them. So today the support is very strong.

Ian Parkinson, CIBC World Markets

Great. Thanks.

Operator

Thank you. The next question is from David Snow from Energy Equities, Inc. Please go ahead.

David Snow, Energy Equities, Inc.

Hi. Your comment about the DOE, 15 percent instead of 10 percent, is that, um, for how many years does that appear to be the case?

Tim Gitzel, President & Chief Executive Officer

I'm not sure there was a time limit put on that actually, David. They did what's called a secretarial determination where they look at whether the DOE can put more pounds into the market without disrupting the whole apple cart, if you like, and I think the determination was that if they put up to 15 percent of US nuclear reactor requirements, annual reactor requirements, onto the market through the DOE, it wouldn't upset the market. Not sure we completely agree with that determination but that's what it is. So what we do appreciate is, I guess, the clarity that if that's what is going to be, then so be it, and let's get on with things. And so I think prior to—the U.S. consumes about 50 million pounds a year, so 10 percent would be 5 million pounds, now if it's 15 it's a little bit more than that, so it brings us some clarity. I guess that could be about the best that could be said about.

David Snow, Energy Equities, Inc.

And when does the increase take place?

Tim Gitzel, President & Chief Executive Officer

I think it's as of now. I'm not sure we've seen the pounds yet but I think it's now.

David Snow, Energy Equities, Inc.

And can you talk about the issues regarding increasing further in Kazakhstan to 10 million? It's tied to the US 6

apparently? What's the likelihood of going forward on any of that?

Tim Gitzel, President & Chief Executive Officer

So we continue to talk with our Kazakh partners. In fact, Dr. Shkolnik, the Head of Kazatomprom, was in Canada just last week and we had a chance to spend some time with him to discuss where we're headed. We continue to work toward doubling JV Inkai's production from 5.2 million pounds to 10.4 million pounds, or 2,000 ton a year to 4,000 ton a year. We've been, I think, clear in saying that conversion was part of those negotiations and clearly the conversion market today is not that solid but going forward we think as more reactors are brought online, more conversion will be needed. So we're talking in that context. We have conversion technology that we would transfer to the Kazakhs. And we're looking at building some kind of a facility in Kazakhstan at the right time when it makes sense. So that the discussion, those are the discussions we're having, and I think we're progressing well.

Operator

Thank you. Once again, if you have a question, please press star one on your telephone keypad.

The next question is from Oscar Cabrera from Bank of America. Please go ahead.

Oscar Cabrera, Bank of America

Thanks, operator. Good afternoon, everyone. Tim, just would like to get your views on how do you expect the Japanese nuclear reactor fleet to come back? I don't know, you know, happy to just get percentages or number of reactors but I'd like to hear what your views are on that.

Tim Gitzel, President & Chief Executive Officer

So, yeah, Oscar, we, as I said, we're taking it day by day or are step by step. When we saw you last and others last we said we believed that the Japanese would start bringing their reactors back on sometime this summer. That's when their big power draw is, the heat in the summer, and so we're pleased I guess to see Kansai bring back Ohi 3 and 4 now, two units back on. That's not going to put a big draw on nuclear fuel in the short term but it certainly was a psychological step forward and a

physical step forward to get, to see that, you know, nuclear power is not off the table in Japan, it's still on. Game on. And so now we've seen both from Kansai and other utilities that they're now making requests to the government to restart their units. I don't know exactly what the process is or how long it will take but I think gradually they'll start coming back on. Maybe wouldn't be a surprised to see six or seven units back on by the end of the year. That's just speculation on my part. But the good news is that nuclear power is still on in Japan.

As I said earlier, a lot of the debate will go on in the country to determine the supply mix, energy supply mix for the country going forward, and I wish the Japanese well with that discussion. It's not an easy discussion. We've seen the huge imports of LNG and oil and coal and others to replace the nuclear. It's having an effect on their trade balance, I think. And so they've got to go through all of those discussions inside the country to determine the right mix but from what we understand nuclear will continue to play an important role.

Oscar Cabrera, Bank of America

Great. That's helpful, thank you. And then on Kintyre, I'm not sure if I missed that in your previous answer but when did you assume or what was the length of construction that you assumed, i.e. when did you assume the project started? What year?

Tim Gitzel, President & Chief Executive Officer

We had assumed a start-up of construction I believe in 2014. I'm just looking to Bob for confirmation of that. Is that the right...?

Bob Steane, Senior Vice-President & Chief Operating Officer

Yeah, that's the right timing. It was stuck in, goes through all the approval processes, have things in place by then, and start construction mid to late 2014 and, I'm sorry, early 2014, and production around 2016 were the assumptions.

Oscar Cabrera, Bank of America

Okay, great. Thanks. And then lastly on NUKEM, I'm just trying to start putting our arms around your new business. How should we think about sales or EBITDA margins? I don't know if you are able to provide any color on that at

all. And when should we think about starting to include that that in our models.

Tim Gitzel, President & Chief Executive Officer

I'll pass that to Ken. He's been the lead on this file.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Sure. Absolutely. So NUKEM is quite an exciting acquisition for us. They've been doing, ah, trading nuclear fuel for decades now and they've been doing it quite successfully. In terms of volumes, if you look at their history they've done anywhere between 10 and 15 million pounds per year. And a large part of that has been their participation in the HEU agreement. That said, even post 2013 we're expecting that NUKEM will continue to trade in the neighbourhood of 3,000 to 4,000 tonnes per year, so significant volume, and really sourcing secondary supplies and unconventional sources of supply and putting it in the hands of customers. In terms of EBITDA margins, you know, I think you can—I don't think we can say specifically today but you can assume I think a typical trading margin on sort of a purchase and a sale in this business, and so it's really a percentage that you can assume.

Operator

Thank you. I remind you to limit your questions to one and one follow-up question. Once again, please press star one at this time. The next question is from Brian MacArthur from UBS. Please go ahead.

Brian MacArthur, UBS

I just wanted to follow up on the last question. Are you going to have a separate unit for NUKEM or is it just going to be blended in with purchase and resale pounds going forward?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

It will absolutely be a separate unit. Again, NUKEM is a very successful trading model and we will let them continue to do what they do as a separate group.

Brian MacArthur, UBS

And are you going to report it as a separate like entity or will it just be just blended in purchased product in the financial statements and the uranium segment like we do for the HEU deal?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Brian, It's Grant Isaac. At the time of the closing we will bring it into our statements on a segmented basis. So you'll see us with the uranium segment, fuel services, electricity, and then the NUKEM segment.

Brian MacArthur, UBS

Great, thanks. And just back to John's question, that was very interesting about the Japanese entering the market. Can you tell me are they looking for pounds? I assume they're looking for pounds like for long-term contracts, three to four years out, not near term, that's sort of the inquiries you're getting? Because I would assume they still a fair bit of coverage in the near term and lots of inventory lying around.

Tim Gitzel, President & Chief Executive Officer

Ken?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, that's fair to say that it's a little further out in time. I mean, again, we don't disclose any real specifics around any of these requests but that's correct, it's a little further out in time.

Brian MacArthur, UBS

Thank you.

Operator

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

Greg Barnes, TD Securities

Thanks again. Tim, I'm a little surprised that you say the economics on Kintyre are challenging at \$67 a pound. It seemed to work as \$60 a pound. I would assume that you use that as the base number long term or something in that range anyway?

Tim Gitzel, President & Chief Executive Officer

Yeah, I'm not sure we disclosed the number we use long term but, yeah, with the pounds we have, and I think we've put out of the pounds that are involved there. I would say WA is, ah, it's a hot jurisdiction, hot in the climate sense but also hot in lots of activity going on over there right now. That combination and the current prices, ah, we put the numbers out and so we, we wanted to give a little bit more clarity on what we thought, not just that it wasn't economic today but what we thought we would need to see it become economic, so that's why we provided a little bit more information than we might have. And so that's where it's at. So, as I said some time ago, I've heard others speculate in our business as to what prices might be needed to incite new production, and I've heard other speculate that it's over \$60. I think this is a case in point.

Greg Barnes, TD Securities

Okay. And just as a follow-up, McArthur, with the work you've done in de-risking 2013 production you mentioned you could use some blast hole stoping. Have you ever done that at McArthur before or is that new?

Tim Gitzel, President & Chief Executive Officer

Bob?

Bob Steane, Senior Vice-President & Chief Operating Officer

Greg, actually it will be new, but we have done it. That's why we're now feeling that plus the productivity improvements with really tightening up or improving the cycle time from starting to finishing a raise and getting on to the next one with a reamer head. We've also run some tests, a test blast hole stoping, and that has worked out very well. So now that we have—we always had it in our back pocket as a mining method we would anticipate using at the right place at McArthur but we've now tested it and proved it up and it works quite well. So that's why

we're very confident about the dip in 2013 or the risk of a dip in 2013 being mitigated and won't occur.

Greg Barnes, TD Securities

I'll just sneak in a further question: How much of production next year will come from blast hole stoping as opposed to the reamer?

Bob Steane, Senior Vice-President & Chief Operating Officer

Greg, it will be a very small part of production, so, you know, there's no question that going forward reaming will always be the bulk of our production, it will be the 80, 90, 95 percent of the production, but the blast hole stoping, it allows us to pick up some remnants, some areas that otherwise reaming would not, ah, would be a real challenge to get to. So it'll be a very small portion of production.

Greg Barnes, TD Securities

Great. Thank you.

Operator

Thank you. The next question is from Fraser Phillips from RBC Capital Markets. Please go ahead.

Fraser Phillips, RBC Capital Markets

Thanks. Tim, just so I'm clear, the \$67 number at Kintyre, is that the number that or the price you would require to generate whatever your target return is? Or is it something else?

Tim Gitzel, President & Chief Executive Officer

Yes, that's correct. Absolutely correct.

Fraser Phillips, RBC Capital Markets

Thanks.

Operator

Thank you. The next question is from Edward Sterck from BMO Capital. Please go ahead.

Edward Sterck, BMO Capital Markets

Thanks very much. Just returning to the conversion market, I believe I'm correct in saying that ConverDyn is closed for potentially 12 to 18 months, possibly longer. It seems to be a bit undetermined at the moment. Is that going to result in any, in your view, result in any upward pressure to the cost of the price of conversion and would there be any benefits to Cameco? Or is all of Cameco's conversion on long-term contracts?

Tim Gitzel, President & Chief Executive Officer

There's a phrase that comes to my mind that past events does not dictate what happens in the future. We've seen supply disruption in the past and in fact it hasn't had that effect on price. So we don't know what will happen. We clearly are watching closely the ConverDyn situation. I think it was a bit surprising to us. We weren't aware of it, or we weren't aware it was going to happen, that the plant that could be down for 12 to 18 months. So we'll watch to see.

There's been this big gap between spot prices for conversion, which are quite, quite low, and then the longer term, which certainly looks more promising from our point of view, and so what effect that will have I think we'll have to hear some more news from ConverDyn as to what the plans are there and is it really going to be down for that period of time. So we're waiting to hear a bit more information.

Edward Sterck, BMO Capital Markets

Okay. Thank you very much indeed.

Operator

Thank you. We would like to remind you to limit your questions to one and one follow-up question. And the next question is from David Snow of Energy Equities Inc. Please go ahead.

David Snow, Energy Equities, Inc.

Any update on the laser enrichment?

Tim Gitzel, President & Chief Executive Officer

Yeah, David, we're working on that. We continue to work with our partners on the technology. We've got some reports recently that are encouraging, I'd say very encouraging, with respect to the technology. So the work continues toward moving the technology from a concept and a desktop proof to now whether we can employ it at industrial scale. So I think we've got another year or so of work to do there before we will have the results but so far we're encouraged by what we're seeing.

David Snow, Energy Equities, Inc.

Thank you.

Operator

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

Brian MacArthur, UBS

Sorry to go back to Kintyre again. Can you tell me, um, because, as you said, historically that 60 was sort of what we looked at. Was it basically capital blowout issue or an operating cost or both that made the economics work or did the ore body actually change and look different than what you thought?

Tim Gitzel, President & Chief Executive Officer

Brian, I think probably a combination. I might not use the word blowout but I would say costs are high in WA right now and with the pounds we have the economics are where they're at, and so we're going to have to see some increased resources there to make it go forward. Reduced costs, we're not crossing our fingers on that too much because we see Western Australia being charged for a long time with all of the big projects that are going on there. So, yeah, we're looking at it. Through the feasibility work we'll look at any optimization we can do but given what we have today, from the pre-feasibility study granted, we need either more price or more pounds and hopefully both.

Brian MacArthur, UBS

And just going back to, you know, it was, again, the price, you talked about it earlier, realized this quarter was quite low, and I know there's a mix of contracts that always affects this but there used to be, and I don't know if you can still confirm this, there used to be some very long, I think there were 10-year contracts that obviously would've been written a long time ago at a very low price before things changed in 2003. Are there any of those contracts still sitting around that are that low and did they come in this quarter in a disproportionate way or something that really distorted it or was it more just—I mean did you have a bunch of \$13 stuff weighted in there that it turned out or was it more just a timing of the later contracts that knocked down? Or can you even comment?

Tim Gitzel, President & Chief Executive Officer

Brian, let me see what Ken can tell you on that.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Sure, and I don't, I wouldn't say that there was an unusual—I should back up. I should start by saying yes, we continue to deliver under legacy contracts that might be a market-related contract with a low ceiling or might be a low-base escalated contract absolutely. And as our price table shows, you know, we come out from under those contracts in time.

If we look at then the quarter I wouldn't say there was an unusual number of low-price contracts. I will say that there was a little shift in market-related versus base-escalated contracts and in this lower price environment compared to the quarter last year you'll see a lower average realized price. So that was the only nuance to the quarter is that we just delivered into a few more market-related contracts in what is a lower spot and term price environment.

Brian MacArthur, UBS

Okay, great. Thank you.

Operator

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

Tim Gitzel, President & Chief Executive Officer

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

In closing, I would just reiterate that it is common in our business to see variance in the quarters throughout the year as we've seen in the past and that we are still on track to deliver strong results again this year. But we're also always actively pursuing growth and I think you can see that in the high level of activity you've seen from us recently with the deals at Cigar Lake and Millennium and with NUKEM we continue with our strategy to grow the Company. We believe these developments in pursuit of our growth strategy combined with the market growth we see on the horizon will result in value returned to you, our shareholders.

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