

CORPORATE PARTICIPANTS

Rachelle Girard*Director, Investor Relations***Tim Gitzel***President & Chief Executive Officer***Grant Isaac***Senior Vice-President & Chief Financial Officer***Ken Seitz***Senior Vice-President & Chief Commercial Officer***Bob Steane***Senior Vice-President & Chief Operating Officer***Alice Wong***Senior Vice-President & Chief Corporate Officer*

CONFERENCE CALL PARTICIPANTS

Edward Sterck*BMO Capital Markets***Tyler Langton***JP Morgan***Greg Barnes***TD Securities***Rod Nickel***Reuters***John Tumazos***Very Independent Research***Borden Putnam***Mione Capital***Oscar Cabrera***Bank of America Merrill Lynch***Daniel Rohr***Morningstar***Andrew O'Neill***Central Securities***Emily Meredith***Energy Intelligence*

PRESENTATION

Rachelle Girard, Director, Investor Relations

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

With us today on the call are Tim Gitzel, President and CEO; Grant Isaac, Senior Vice-President and Chief Financial Officer; Ken Seitz, Senior Vice-President and Chief Commercial Officer; Bob Steane, Senior Vice-President and Chief Operating Officer; and Alice Wong, Senior Vice-President and Chief Corporate Officer.

Tim will begin with comments on the quarter, and the industry, then Grant will comment on the Canada Revenue Agency tax case. After, 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

Well, thank you, Rachelle, and welcome to everyone who has joined us on the call today, as we discuss Cameco's first quarter results. I'll start by briefly discussing our results and then move onto our strategy and our review of the market.

Then before opening it up for Q&A, I've asked our Chief Financial Officer, Grant Isaac, to talk about the Canada Revenue Agency, or the CRA, litigation issue that seemed to draw lot of attention last quarter.

You may remember that last quarter we gave some guidance on what we were expecting for this quarter, which is something we don't usually do. However, in this case, we felt it was necessary as a result of some unusual first quarter items we were aware of, that would

result in significantly lower earnings than the same period last year. And that is indeed what we have seen occur.

Our adjusted net earnings this quarter were \$27 million compared to \$121 during the same period last year. We were expecting this primarily as a result of very low uranium deliveries in the first quarter and lower earnings from Bruce Power. We delivered 3.1 million pounds less this quarter than in Q1 of 2012. But, as is often the case, our deliveries are lumpy throughout the year, and in 2013, as in previous years, about 60% of our deliveries will be made in the third and fourth quarters.

With regard to Bruce Power, they had a large number of outage days scheduled for this quarter, which also impacted our results. I also want to remind you that our accounting for Bruce Power changed as of January first. IFRS now requires we use the equity method of accounting as opposed to proportional consolidation.

As a result, we now report our share of their earnings before taxes as a single line item on our earnings statement.

As I've said in the past, our performance in relation to annual guidance is a more accurate representation of the state of the company than quarterly performance, and I can report that we are on track to deliver on our sales, revenue and production guidance for the year.

Production is one area where we were very strong this quarter, producing 5.9 million pounds, which is 23% more than the same period last year. Inkai was one of the big drivers of the increase. We've been able to bring on new well fields there, which helped us maintain higher feed grades, and we were able to make improvements to the overall extraction process.

At Cigar Lake, we continue our journey towards first production. The Cigar Lake team is making solid progress, continuing to complete their task safely and according to plan. By mid-year, we should be reporting first commissioning in ore, so stay tuned for that.

We also had a number of news items to report this quarter. First, our acquisition of NUKEM closed and we recorded \$131 million in revenue and \$4 million in gross profit in the first quarter. For the year, we expect to report gross profit margins for NUKEM between 3% and 5%.

The second news item came from the provincial government in our home province of Saskatchewan. A change to the uranium royalty structure was announced

that should prove beneficial for Cameco and the other uranium producers working in the province.

Tiered royalties will now be based on profits rather than on revenue and should provide more certainty related to our large investment projects in Northern Saskatchewan where most of our operations are located today.

It's difficult to quantify what the benefit to Cameco will be in the near term until some of the variables are sorted out, but we do expect the change to be a benefit over the long term.

And the last piece of news came from the Canadian Federal Government, which announced the finalization of Canada's Nuclear Cooperation Agreement, or NCA, with India. This is important since it will allow us to take advantage of the large market opportunity India represents for the nuclear industry, and will allow us to deliver Canadian uranium there. India currently has 20 operating reactors and 7 under construction. They expect to have a total of 34 reactors operating by 2022, which is a huge amount of growth over the next decade. So, we were very happy to see the NCA finalized.

But India is just one of the growth drivers in the nuclear industry. Countries like China, Russia, South Korea, and the United Arab Emirates are also pursuing rapid development and expansion of their nuclear programs. China alone has 28 reactors under construction today with six of those planned to come online this year. One already has – unit one at Ningde just came online in April.

We are expecting this growth to result in an increase of uranium consumption from 170 million pounds to about 220 million pounds by 2022, and average annual growth rate of 3%.

That's why you see us working to increase our annual supply from the 23.3 million pounds we will produce this year to 36 million pounds per year by 2018, so that we can be ready to fill that demand. We believe that, going forward, our production will be needed more than ever.

As everyone knows, there has been a significant gap between production and consumption for many years that has historically been filled by secondary supplies. But we know those secondary supplies are diminishing, particularly with the end of the Russian highly enriched uranium commercial agreement this year which will remove about 24 million pounds per year from the market, which equates to more than Cameco's entire annual production.

Add to that, the uranium price where it is today and where it has been for some time, which has not helped incent producers to bring on new production. We've seen numerous projects cancelled or delayed that would have helped fill this future supply demand gap. And we at Cameco are not immune. Post Fukushima, the uranium price has not recovered as quickly as we thought it would. And as a result, we had to adjust our plans to remain competitive.

That meant making the changes you saw us implement over the last six months: pulling back on our growth plans, spreading our capital spend over a longer period of time, focusing on brownfield projects in stable jurisdictions, streamlining our organization and reducing our administrative costs. I believe these were the right decisions for Cameco until we see some significant positive movement in the market.

And I know we've been waiting for such movement for longer than might have been expected, but we are confident it will happen. The fundamentals of the industry – increasing demand and decreasing supply – required it. The question remains when? And the answer is that, while we don't know the exact the timing, we do know that the uranium price can move very quickly in response to market development, like we saw in 2007 and again in 2010.

Meanwhile, the mechanics of our industry and our ability to react are quite slow: regulatory processes take time; construction takes time; commissioning takes time. So, we continue to watch the major catalysts that we believe will spur significant movement in our industry. Things like reactor restarts to Japan, the end of the HEU agreement, continued supply deferrals and cancelations, a return to long-term contracting, and new reactors coming on line in China and India.

But we also continue to be responsive to what we see going on now and are taking strong action today to be leaner and more efficient in order to remain a profitable low cost producer and to return value to our shareholders.

With that, I'm going to stop and turn it over to Grant Isaac to discuss the CRA issue, Grant?

Grant Isaac, Senior Vice-President and Chief Financial Officer

Thanks Tim. we wanted to spend a bit of time on the CRA issue today, because there had been a lot of questions on it since we released our annual MD&A, and we wanted to provide more information on today's call, and also in our Q1 MD&A.

As most of you are likely aware, since 2008, Canada Revenue Agency has disputed our offshore marketing company structure and the related transfer pricing methodology we used for certain intercompany uranium sale and purchase agreements between 2003 and 2007.

Although we can't predict the outcome of the case for certain, we expect it to be substantially resolved in our favour, and that the ultimate resolution will not be material to our financial position, our results of operations and our cash flows in the years of resolution.

In very general terms, there are two key subjects at issue: the nature of the structure itself and the associated prices.

With regard to the structure, we believe that it was established in accordance with sound business principles and in accordance with relevant laws and regulations.

We employ an offshore marketing subsidiary since the majority of our customers are located outside of Canada, and so, are important sources of uranium supply. This subsidiary is an existing corporation that has a proper and active Board of Directors and an experienced General Manager. We believe it is appropriate.

This brings us to the second issue, the pricing, which we also believe to be generally compliant. The CRA requires that prices be based upon arm's length terms and conditions. So, we used the methodology preferred by the CRA. This means that at the time the arrangements were put in place, the prices between Cameco and our subsidiary reflected market conditions. Or, in other words, they are prices that an independent third party would reasonably agree to. As a result, believe Cameco established prices that generally complied with the required transfer pricing rules. So, we are confident that we will be successful in our case.

However, we have taken a cumulative tax provision of \$65 million to date, which we think is reasonable based on an analysis of our contract portfolio, and where there may be a disagreement over transfer prices.

That is the extent of the issue in general terms, which, I want to remind you, is not a new issue. This has been ongoing since 2008, and there have been no fact changes since we first disclosed it.

We believe the reason for the increased interest recently was the \$27 million payment we made to the CRA here in the first quarter of 2013, but reported in February, our Q4 results in February. As we mentioned at that time, the reason for that payment is that the Canadian Income Tax Act requires certain companies to pay 50% of the tax associated with the disputed reassessment including interest and penalties. Until Q1 2013, we had not been required to make any significant cash tax payments due to the availability of elective deductions and tax loss carryovers.

So why \$27 million specifically? Well, at the moment, the CRA has reassessed years 2003 to 2007, and have claimed approximately \$1.3 billion in income for these years as taxable in Canada. If this amount were taken into income in Canada, it would result in a tax expense of about \$380 million.

Once elective deductions and tax loss carryovers are applied, as well as interest and installment penalties, the resulting cash payable is approximately \$54 million, of which 50% is \$27 million – the amount that we paid in Q1 of 2013. We expect to recover this amount.

Many of you have asked the next logical question, ‘what about post 2007?’ Quite simply, we have not been reassessed for any years beyond 2007, but with our Q1 MD&A we attempt to answer this question that you have asked frequently.

So, if we look at the overall picture from 2003 to 2012 using the methodology we believe that the CRA will continue to apply, and we assume that years 2008 to 2012 will be reassessed, we estimate that the CRA would reassess income of approximately \$4.9 billion in total. If this is taken into income in Canada, it would result in a tax expense of approximately \$1.4 billion. Cash taxes payable would be between \$800 million and \$850 million, not including interest and installment penalties, which would be material. We would be responsible for remitting 50% of the resulting amount.

I should point out that these are estimates only, based on our understanding of the CRA methodology, and that actual amounts will depend on the income reassessed in each year and the availability of elective deductions and tax loss carryovers. But I want to emphasize that we do not believe this will be the likely outcome or that the

ultimate resolution of this matter will be material to our financial position, results of operations and cash flows in the years of resolution. Based on our view of the likely outcome of this case, we expect to recover the amounts permitted.

I hope this helps to clarify the issue. Unfortunately, we can't tell you anymore than we have today or what is in our MD&A, as this is a case currently before the courts and it will be inappropriate to do so. We will update you as any material changes arise, but we don't expect to have anything to report until there is a decision. At the moment, the 2003 assessment is expected to go to trial in the fall of 2014, which could mean a tax court decision in 2015.

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

Tim Gitzel, President & Chief Executive Officer

So, thank you, Grant, and with that, we'd pleased to answer any question you might have.

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'll get to them after others have had their chance. *[Operator Instructions]*.

And the first question is from Edward Sterck from BMO Capital Markets. Please go ahead.

Edward Sterck, BMO Capital Markets

Good morning. And – so I've got – just starting off with NUKEM and the SWU sales for the period, they are not disclosed in MD&A. Is it reasonable to assume that the conversion that is disclosed is factored into the – or sorry – that the UF6 sales that are disclosed is actually EUP and that the – the enrichment is actually included within that?

Tim Gitzel, President & Chief Executive Officer

Edward, I'll ask Ken Seitz to answer that.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, I – I'm going to have to get back to you on that one. I don't think that that's the case, but we'll have to – I don't have that at my fingertips.

Edward Sterck, BMO Capital Markets

Okay. No worries. Just a follow up question, again on NUKEM, with the, sort of, incoming cash flow of \$9 million for the quarter, is there quite a lot of seasonality in the cash flow profile of NUKEM, i.e., would we expect lower cash flow in subsequent quarters?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

There is similar seasonality to our own portfolio. And – it's the same six months delivery notice that they have under their contracts; they're very similar, it's sort of an industry standard, and so they could in any given year have similar lumpiness to exactly like we're experiencing in the quarter at the moment.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, in addition, Ed, it's Grant, I think you keep in mind that cash flow is largely due to a drawdown of inventories as well as the accounts receivable in that quarter. So just reinforcing that, yeah, it can be lumpy.

Edward Sterck, BMO Capital Markets

Okay. Marvelous. Thank you.

Operator

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

Tyler Langdon, JP Morgan

Yeah. Good afternoon, thanks for taking my question. Just regarding the draft safety guidelines from the NRA, I just wonder if you can say your thoughts on that, sort of if it was in line with your expectations.

Tim Gitzel, President & Chief Executive Officer

So, Tyler, we have had a look at them. I would say they're stringent, as we would expect them to be. We know from talking to our Japanese customers and utilities that they know them inside and out. And I think they are commenting on the draft part of them, but I think you can expect they look fairly similar when they do come out. So, I think they are fairly stringent. One of the pieces that might not be as widely known is that utilities, we believe and we've heard, will have several years to comply with the guidelines to conform when they are published finally, which we believe will happen in July. So we have had a look at them, they're available to anyone. We're certainly not reactor experts in that regard. But, as I say, our Japanese customers and the utilities have looked through them, we've talked to them about it and they're spending, I would say, billions of dollars to-date to comply with those guidelines.

Tyler Langdon, JP Morgan

Then in terms of, I guess, restarts, do you think, given that they are more stringent, I think, last quarter you thought you maybe could see six to eight restart this year. Do you think there is a chance that it pushes back that number this year?

Tim Gitzel, President & Chief Executive Officer

Yeah, we did put those numbers out and we've been holding somewhere around there, I guess not knowing exactly, but I think, Ken, there was some news came out of Japan this morning?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, absolutely Tim. So, we saw the heads of three large Japanese utilities talk about their own applications for restart, that was Kansai, Kyushu, and Shikoku, that they will be submitting their applications in the middle of July and that there is a good chance that at least those

units will be on the grid within 2013. And so there is five units there. We expect a couple other utilities to be submitting their applications as well. So, six to eight - certainly uncertainty around those numbers - but there hasn't been a material effect change in our view since we last put up those numbers, and certainly some announcements coming from some of the utilities that would in some way support those numbers.

Tyler Langdon, JP Morgan

Okay, great. Thanks a lot.

Operator

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

Greg Barnes, TD Securities

Yes, thank you. I guess it is a question for Ken or for Tim. The guidance for sales volume for NUKEM of 9 million to 11 million pounds this year, I assume that includes sell-down of the remaining HEU that they have?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yes, it does. Yes, it does Greg.

Greg Barnes, TD Securities

How much?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Well it's sort of similar to our own situation in that if you're designating HEU pounds for sale or other inventories that you might have, it's possible they carry a little bit of HEU into next year, but the bulk of it will be sold in this year under that 9 million to 11 million pounds.

Greg Barnes, TD Securities

So, how do you think the sales volume to translate into 2014 and without HEU, or the bulk of HEU anyway?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, we – if you look at historically what NUKEM has done, they have been in that sort of 3,000 to 5,000 tonne range, and that was prior to HEU and all those things, so depending on the liquidity in the spot market and the opportunities that make themselves available, we could see them doing that sort of volume in the future.

Greg Barnes, TD Securities

Okay. Okay. Bigger picture question on Urenco, which seems to creating a lot of buzz. Any comments on what's going on with the sales process, timing, your level of interest, anything?

Tim Gitzel, President & Chief Executive Officer

Ya, Greg. I don't think we have any better information than anyone else or what's been put out into the public. We're watching, like others, as to who might be selling, what percentage they might be selling. We've had an interest in enrichment for some years, evidenced by our investment in GLE, and so, we're just watching the Urenco piece. Nothing further to report. It will be interesting to see if they can ever reach agreement on what's for sale and when.

Greg Barnes, TD Securities

Okay. Thank you. Thank you.

Operator

Our next question is from Rod Nickel from Reuters. Please go ahead.

Rod Nickel, Reuters

Hi. Thanks for taking my call. Just a follow-up on the question about Urenco. I was wondering, Tim, if you can elaborate a bit at where Cameco is at on whether it would make a decision to bid for a stake and whether one of the options under consideration is a joint bid with Canada Pension Plan?

Tim Gitzel, President & Chief Executive Officer

Ya, we wouldn't comment on any of those things. I think – as I said we're just watching – I'm not sure anyone knows what's for sale or when, so, we have our interest in GLE that we're certainly continuing to pursue, which we hope will get us into the enrichment business, but on the Urenco side, that we're just watching.

Rod Nickel, Reuters

Do you have any sense of what the timeline might be for – for whoever ends up buying – buying up Urenco when that might happen?

Tim Gitzel, President & Chief Executive Officer

When you have three different governments and countries involved, I can't imagine it will be very quick, but we just watch the public information that comes out and so we really don't have any better information than anyone else.

Rod Nickel, Reuters

Thank you.

Operator

Great. Thank you very much.

Operator

Operator: Our next question is from John Tumazos from Very Independent Research. Please go ahead.

John Tumazos, Very Independent Research

Thank you for taking my call, my question. My question involves two aspects of uranium market pricing, which I'd appreciate if you could try to explain to me, if you understand them yourselves.

As the Russians stop selling these pounds, do you expect an immediate impact or do you think there is consumer trends or other inventories that would absorb the blow for a period of time.

And secondly, as the substitute fuel prices change, such as the U.S. net gas price rebounding from \$190 to \$440, does that affect the uranium price, in terms of motivating plant restarts for example in the U.S.?

Tim Gitzel, President & Chief Executive Officer

I'll ask Ken to speak to that. Ken?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yes, absolutely. So, with respect to the first question – HEU ending and the Russian material stopping its flow to the West: we've talked about our level of commitments for some period of time and that is that we're heavily committed through 2016, and we would be the only producers that's committed that way, and similarly, our customers are fairly well covered through that period, we talked about that in the past. I think it just helps to explain that while the HEU is coming off, the end of it is not going to be colossal event, in that utilities and producers have been planning for it for some time. So, we expect the transition to be fairly smooth, and with things like Cigar Lake coming on it helps to fill that gap.

I will say, of course, that the end of the HEU agreement shines a light on this transition our market is going through, and that is from secondary supply dominated to, really, mine supply. And then so, I think it just shines a light on the need for more primary production.

So, you know, I think with respect to HEU that will be the sort of transition.

With respect to natural gas prices, we've watched that very closely and for the longer term we, obviously competing with other energy and power generation sources, but I'll say that the bulk of the development that we see in the nuclear industry today is in places like

China, India, Korea – South Korea – and Russia, who talk more about energy security and energy independence and, frankly, clean air than – and you know the need for the diverse mix than beholden to natural gas prices. So we do have some new build constructions and some regulated market in the U.S., but we don't think that this fluctuation in natural gas prices necessarily has a big impact on the future of new build.

John Tumazos, Very Independent Research

Thank you.

Tim Gitzel, President & Chief Executive Officer

Thanks John.

Operator

[Operator Instruction] And the next question is from Borden Putnam from Mione Capital. Please go ahead.

Borden Putnam, Mione Capital

Hey, good morning, Tim. There might be a question for Bob here. On Cigar Lake, you report that the first jet boring was a successful test, but in the April 3 hearings that at CNSC Steve Loewen, I believe, reported that those were merely the drilling of the 16 inch holes - that no cavitation had been done yet. Can you update us on when you will do cavitations - update us when you will do cavitations and what level of the mine this test works been done at.

Tim Gitzel, President & Chief Executive Officer

Thanks, Borden, I appreciate the question. In fact Bob and I we're meeting with the Cigar Lake people just yesterday, so Bob can give you an update on that.

Bob Steane, Senior Vice-President & Chief Operating Officer

Ya Borden, that information from the hearing is correct. What we have been testing, and done multiple holes with one of the jet boring machines, has been all of the cycling of drilling, checking out the packers, the backflow

preventors, and so on, and we have not done jetting. So, we haven't jetted cavities. We've drilled up through to the length and tested all the various features of the machine, so the operators are very adapted to running it through its paces, changing during the cycle time, relocating, changing the direction of the drill and so on. All of this has been done in the mine, in a kind of production – what will one day be a product cost cut. So it's all done on the 480 level as where it's happening. We anticipate having done jetting in rock with having the high pressure water systems and so on in place for cutting rock with the jet system in probably June, July time.

Borden Putnam, Mione Capital

Interesting, thanks Bob. I have one final follow-up I should say. The back filling with concrete will be done from the same level as the mining, if you will, from below the ore body. Without bogging down the conversation here, can you walk us through the mechanics of that? It's got to be quite fascinating. Thanks.

Bob Steane, Senior Vice-President & Chief Operating Officer

Yeah, it is. After the hole is complete, then with all the jet boring tools and everything are extracted from the hole and then there is a pipe arrangement that is inserted up to the top of the cavity. Included in that is a breather pipe that allows the air to get out and then we start injecting, pumping concrete up through the concrete pipe. The air is allowed to escape back through a vent pipe down and just keep pumping in concrete until you fill it right up to the top and concrete comes out the bottom, and withdraw and seal that off and let it harden.

Borden Putnam, Mione Capital

Interesting. Well, I'll look forward to another update.

Tim Gitzel, President & Chief Executive Officer

Yeah. Thanks Borden.

Operator

Our next question is from Oscar Cabrera from Bank of America Merrill Lynch. Please go ahead.

Oscar Cabrera, BoA/Merrill Lynch

Thanks, operator. Good afternoon, everyone. I just wanted to get back into – I can appreciate that, in the current environment, being mindful of capital expenditures not as important, but going back to Greg's question in terms of Urenco, if you have a dollar to spend over the next five years, would you put that in enrichment or in your primary uranium mine?

Tim Gitzel, President & Chief Executive Officer

Well, Oscar, we are investing in our uranium mines, obviously Cigar Lake, we're bringing that on this year. We've got McArthur River, the brownfield project. So those are our first choice - where we are already safe jurisdictions we know the government, we know the people, the aboriginals have the infrastructure - that's our first choice and that's where we've been focusing.

Oscar Cabrera, BoA/Merrill Lynch

Okay. Great. That helps. And then with respect to Bruce Power, in the current environment, can you remind me when do you have to reach a decision whether you would like to extend the lease on the reactors and what the investment for the retrofitting of those reactors, the capital expenditure amount that you will need to do, when do you need to reach a decision and what's the level of CapEx for that please?

Tim Gitzel, President & Chief Executive Officer

Yeah. Oscar, that's a good question because there was some movement in the quarter on that, you probably will have seen that Duncan Hawthorne, the present CEO at Bruce negotiated with the Ontario government, the extension of the floor price protection for the Bruce B units to now match the lifetime of the reactors, so it gave us some additional life, if you like, to those reactors. So I think those floor protections were starting to come off at the end of 2015 for the first one and then going through the rest of the decade. And now they're, I think they're matched up with lifetime of the reactors, which is more of the 2019, 2020 period.

So it's around that period now that we'll have to take decisions on refurbishment, of course that's – those aren't taken in isolation, those are taken in consultation with the Ontario Power Authority and with the Ontario government just as to what the requirements are going

forward. So some big capital and of course those will be large capital decisions, but towards the end of the decade we're looking at that investment now and we'll, as we did with the Bruce A units, we'll look at the economics of those decisions and decide whether it's right for Cameco.

Oscar Cabrera, BoA/Merrill Lynch

Okay, great. Thanks very much.

Operator

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

Daniel Rohr, Morningstar

Hi, thanks for taking my question. Just a question regarding the long-term demands, specifically China's rather ambitious growth plans for its reactor fleet. Do you all get the sense from talking with Chinese officials that the government's resolve to meet those big objectives for growth has been – has it been in anyway bolstered by the high profile pollution issues we've seen so far this year?

Tim Gitzel, President & Chief Executive Officer

Yeah, you know we're in constant contact with the two big Chinese customers. We signed some very large agreements with them back in 2010, and have just recently got the Chinese Canadian Nuclear Cooperation Agreement in place. So, we count China as being a major customer for us going forward.

Depends whose numbers you're looking at. We've seen quite varying predictions of growth in China going forward. There are – whoever you look at, they're pretty aggressive. When you see today 28 reactors under construction, that's a lot, and I think we see about 60, 58 or 60 gigawatt installed by the end of the decade and continuing to grow after that. And so, that is aggressive growth.

Do climate change, clean air more importantly, the issues factor in for them? Absolutely, they do. They get CNN just like everyone else does and you can see the streets of Beijing some days where you can't see across the street. So, that's clearly a factor they weigh in.

The other factor, of course, is just the burgeoning demand for electricity, and it's not going to be just on the back of nuclear. I can tell you nuclear, even with that growth plan, represents just a small fraction of the power and electricity they're going to need going forward. So, it's – they're going to be pulling on all of the levers.

Daniel Rohr, Morningstar

Thanks much.

Operator

Our next question is from Edward Sterck of BMO Capital Markets. Please go ahead.

Edward Sterck, BMO Capital Markets

Thanks very much. Just coming back for a couple more questions. The first is on - going back to NUKEM actually and the question of SWU, in the guidance that's provided for NUKEM going forward, it's indicated that 500,000 kilograms SWU will be sold during 2013. Apart from this quarter, where it's not disclosed in the sales figures, will we get an indication of what the quarterly enrichment sales are?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yes, we can certainly get to you those numbers, yeah.

Edward Sterck, BMO Capital Markets

Thank you. And then the second question, really, is just on the royalties in Saskatchewan. It looks as although they've come down a bit further than I'd been initially anticipating. Are some of the costs that can be offset against them being brought in sooner than expected?

Tim Gitzel, President & Chief Executive Officer

And I'll just say overall we're happy to see the movement by the provincial government. We think it will be a good incentive for growth going forward, but Grant Isaac has some details on that.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, the framework that you're referring to – actually you put a note out on it – still remains accurate. The legislative framework in March did speak to the profit base system, so that's the transition going to the two tiers with a price trigger at \$22 a kilogram. So, that framework hasn't changed. The piece that we're just still a bit uncertain about, and it's why we haven't – why we don't have disclosure on what the benefits will look like – is that the legislative change has to be given life by regulatory standards and the process we're in now in the Province of Saskatchewan is to develop those regulations.

Those regulations will in fact govern the transition plan to the new structure from the old, and it will also codify those costs that you were talking about. What I would say in general though is we're very pleased that a broader range of costs will now be included in the royalty structure that had previously been included. So, in addition to it being a profit based system, an actual in that time of spend, we also see a broader range as well supporting, not just the direct expenditures that are required by Cameco, but also some of the infrastructure investment that's required just to be doing economic activity in that part of the world. So, more to come as we understand the regulations and the transition on this.

Edward Sterck, BMO Capital Markets

Excellent, thank you. So would it be fair, just in the current quarter then, the one just passed to assume that a greater percentage of the sales for the quarter came through lower royalty jurisdictions and perhaps it would be normal.

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yeah, it's probably more fair to say that the transition plan for 2013 will basically keep the province whole for this year. So, really, there would have been no marginal difference between the old system and the new system for the first quarter. So that's what you're detecting. That's still the effect of the old system.

Edward Sterck, BMO Capital Markets

Okay. That's fantastic. Thank you.

Operator

And our next question is from Greg Barnes of TD Securities. Please go ahead.

Greg Barnes, TD Securities

Yeah. Thank you. I want to go back to the question about China reactor growth and where do you think they stand in relation to building inventory, where they buying their future supply of uranium from? I hope or I assume you anticipate signing some longer term – additional longer term agreements with them. Do you want to give us some colour around that?

Tim Gitzel, President & Chief Executive Officer

Yeah. Thanks, Greg. I'll ask Ken to comment on that.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, thanks Greg. As you know, I'm sure, the Chinese have been very active, obviously, over the last five years, contracting uranium in anticipation of this very, very large new build program they have underway, and it's true that Fukushima put a pause on that. So that I would say today the Chinese are fairly well covered. We've put them in the camp of other utilities where buying is somewhat discretionary among the Chinese.

I think what's often lost, though, is with that large new build program, inventory policy is the question, and anywhere from three to four years of inventory needs to put behind all of these new reactors, and of course initial cores are 1.5 times the volume of reloads and so on and so forth.

So while the Chinese have a lot of inventory, it could have – be well covered at the moment, they need that for this very large program. The Chinese are in the market buying today – we have sold uranium to the Chinese certainly over the last six months and we're in those discussions all the time.

In terms of new long-term supply, Greg, not surprising, we are spending a lot of time in Beijing these days, and we absolutely expect that the Chinese will – are today and frankly will continue to be a very important customer

of ours and it's all augmented by, as Tim mentioned earlier, the recently signed Nuclear Corporation Agreement between Canada and China, and we'll now be sending Canadian material as well. So yes, China is a big part of our plans.

Greg Barnes, TD Securities

So, Ken, when you say they're fairly well covered in relation to what other utilities have done, do you suggest that they're covered through 2016 like everyone else and then their requirements widen out again?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

It's really difficult one to answer, Greg, in that, again, it becomes a question of inventory policy and what it is that they want to have sitting behind their reactors. When I say three to four years, that's been our experience with Asian utilities. But, of course, with Chinese and energy security and to really know domestic uranium production, it could be that they want to have larger inventories than that. So, I find it difficult to give you a year - 2015, 2016. All I can tell you, they are in the market today, and I can also tell you that we are talking to them all the about new, long-term supply.

Greg Barnes, TD Securities

Good. Thanks, Ken.

Tim Gitzel, President & Chief Executive Officer

Thank you Greg.

Operator

Our next question is from Andrew O'Neill of Central Securities. Please go ahead.

Andrew O'Neill, Central Securities

Thank you. In you MD&A, you mentioned that there is still – even though there is been some pushing out and cancelation of new primary supply in the future that – there is still some projects going ahead, particularly

linked with sovereign interests. I wonder if you could be a little more specific about which particular interests and projects those are, and what you really think is motivating them, I guess, ignoring these market price signals.

Tim Gitzel, President & Chief Executive Officer

Yeah. I think the ones we would probably refer you to are the Kazakhs, who, we saw some reports come out from some government members that they plan to increase their production through 2016, I think from 21,000 by about 4,000 tonne, I think from 21,000 tonne to 25,000 tonne. So, they continue to move it up. That said, we expected that, and certainly in our calculations have factored that in.

I guess the other piece would be the Chinese announcement on the Husab project in Namibia. And I can't say I have any first-hand information on how that's going ahead, or we saw some pretty aggressive, at least from our point of view, pretty aggressive timelines on bringing that project on. It won't be a simple project, and we've had looks on it in the past, and it's not an easy project, but those will be the two pieces I think we were referring to.

Andrew O'Neill, Central Securities

And what do you think is motivating those efforts on both of those situations, I guess?

Tim Gitzel, President & Chief Executive Officer

Well, I think for the Chinese side, clearly a strategy to not only purchase uranium from suppliers like us, as Ken was talking about, but to have some domestic production. They have very little, but as much as they can get out of China. And then, we've seen them going to Niger with a small project, and now this one in Namibia. So, I think they're looking to source some of their own production and have a maybe a multipronged strategy of produce at home, produce abroad and then buy.

Andrew O'Neill, Central Securities

I see. And Kazakhstan, I'm sorry.

Tim Gitzel, President & Chief Executive Officer

Well, Kazakhstan I think there will just be an incremental production to what they've got probably ramping up the existing facilities to their design capacity, as we've done. It's taken us some time to do that to get to the 2,000 tonne level that where our design capacity is at, it's taken us several years to do that. We're at that now and we are happy about that. But I would assume that's what they are doing with some of the other projects because we don't hear of new brand new projects, greenfield projects, it's more incremental production on existing projects.

Andrew O'Neill, Central Securities

And just if I can follow up, just does that suggest that, generally, in Kazakhstan they're not as much value maximizers as they might perhaps be if they were more of a commercial business?

Tim Gitzel, President & Chief Executive Officer

Well, I think they are. We've seen – we've been working with them now for over 15 years and certainly seen the progress. They are astute, very aware of the market. We see them in United States market, in the European markets. So, I think they're quite astute. I think it's just incremental production that they can add to their existing production.

Andrew O'Neill, Central Securities

Thank you very much.

Tim Gitzel, President & Chief Executive Officer

Thank you.

Operator

Our next question is from Emily Meredith of Energy Intelligence. Please go ahead.

Emily Meredith, Energy Intelligence

Hi, thanks for taking the time. And just a quick question on imports into China, or I guess, your shipments into

China. How is the current pause in uranium import licensing on their part affecting you all if at all?

Tim Gitzel, President & Chief Executive Officer

Yeah, Ken has some recent information on that.

Emily Meredith, Energy Intelligence

Thanks.

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, so we are shipping, physically delivering uranium to China from several places in the world right now, and as you rightly pointed out there is a little bit of a hiatus on that as they work through environmental permitting issues. We expect those issues to be cleared up over the next month or month and a half and that uranium again will once again be crossing the border in China.

So how does that affect our deliveries for the year? Today, as we see it, we expect to make all our deliveries to China, so that, while there might be a slight timing issue within the year depending on how those approvals or border crossings advance, the timing issue, just with respect to quarterly deliveries we expect to make them all within the year.

Emily Meredith, Energy Intelligence

Okay. And will you realize the revenues for those deliveries when you expect to or when the deliveries are made?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

We will realize the revenue from those when we're paid for them, that's just dependent of course on when they get delivered, but again we expect to do that within the year.

Emily Meredith, Energy Intelligence

Okay, thanks.

Operator

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

Borden Putnam, Mione Capital

Bob, another question if I can. I'm going to take you back a couple of months, I didn't queue myself up at the last conference call. The – well, first of all the 43-101 on McArthur River is a stunning piece of work. I read that a couple of times, actually, and looking at the engineering that you guys have been inventive on and so carefully put in place with the freezeways there. It's just – it's a remarkable thing, and there's nobody else in the world doing it like this. So, just props to you guys, it's quite impressive.

And that leads to my question on the McArthur reserves. There was a staggering increase to the probable announced; it's about 80% increase to the probable at McArthur, some 58 million pounds nearly. You haven't done anything that material since 2001 in probable. And I wonder if you could – I'm guessing that's from a mine plan that are indicated. Can you give us a little colour on that and where those pounds are located and what's your plan for those as far as moving them into proven?

Bob Steane, Senior Vice-President & Chief Operating Officer

Yeah, Borden, that's a, the big piece there is the B zone pod to the North, that's what, frankly, triggered the technical report to bring those in as well as some other reserves in – within the mine, so, that was a big change.

Borden Putnam, Mione Capital

Okay. And last question from me. I haven't been up to site for a while, the Phoenix resource is growing, it's an indicated, which is a pretty high level of confidence for a resource and its grade went down year on year, but its tonnage almost doubled. Can you point me in the direction of where it is, and how many drill holes are in it, and what kind of attention you're putting to it this year? Thanks.

Bob Steane, Senior Vice-President & Chief Operating Officer

Right. The Phoenix deposit is north of Key Lake and south of McArthur River. It's a little bit south of our Millennium deposit. It's operated by Denison, and so Denison is the – you need to go to the Denison reports to get the information on holes and their plans and where they are and that's a – we are a minority shareholder in it, but Denison is the operator.

Borden Putnam, Mione Capital

Okay. Thanks. What's your plan for it this year? I guess I'll just look at their stuff?

Tim Gitzel, President & Chief Executive Officer

I think they have a program in place and we have to check. Borden, I would say we appreciate your comments with respect to McArthur River and the work that's been done there. And we look around the table here to try and take credit for it and we can't find anyone that can take credit for it. Because it's those guys at the site that have to stay underground that have really done a great job of finding solutions. You'll remember, if you've been on these calls for a few years, some of the issues we were dealing with – we were trying to drill up into the sandstone, those 100 meter up holes to freeze and they have done a very good job of being inventive, finding solutions and that McArthur mine just keeps getting better for us. So, we will pass your comments on to them.

Borden Putnam, Mione Capital

Yeah, thanks, Tim. I won't compare the old 43-101 to the new one and the change in your approach is just dramatic, it's just very well done.

Tim Gitzel, President & Chief Executive Officer

We'll pass that on to the people at site.

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's joined us on the call today. In closing, I'd just like to reiterate that we continue to prepare for the long-term demand we foresee in the market. But we also recognize the importance of adapting to the current environment to remain competitive and to return value to our shareholders in the near term. And that's the path you see us following today. We've built upon our existing foundation of strong production and industry expertise to intensify our focus on execution and maximize the efficiencies, while also pursuing growth measured to the conditions of the market. As a result, I believe we will continue to deliver strong results and remain a leader in our field. So, again, thanks for joining us and have a great day.