

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

CONFERENCE CALL PARTICIPANTS

Ralph Profiti

Credit Suisse

Steve Bristo

RBC Capital Markets

David Talbot

Dundee Capital Markets

Oscar Cabrera

Bank of America Merrill Lynch

David Snow

Energy Equities

Edward Sterck

BMO Capital Markets Canada

PRESENTATION

Operator

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

Rachelle Girard, Director, Investor Relations

Thank you, Elena, and good afternoon, everyone. Thank you for joining us. Welcome to Cameco's third quarter conference call to discuss the 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 Cameco's third quarter results and current industry conditions. 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 third quarter results. We appreciate you taking the time to join us today.

I'm happy to say our financial results were positive across the board this quarter. Revenue, gross profit, and net earnings all increased for the quarter and for the first nine months of the year. Our uranium segment was the main driver of those results. It returned revenues 89 percent

higher than the third quarter of 2012, as a result of increased sales volumes and a significant bump in our average realized price, which really reflects the strength of our contracting strategy in this lower-price environment. We're also starting to see some of the cost benefits of the restructuring we undertook earlier in the year. Overall, we're on track to deliver on our outlook, and even expect to realize better results in some areas than previously indicated. We have updated our outlook to reflect these expectations, including increased revenues from our uranium and fuel services segments.

So our sales drove strong financial result this quarter but our production was just as strong, coming in at 9 percent higher for the quarter than last year. Our U.S. operations were a big part of that. Smith Ranch-Highland increased production over last year and our North Butte satellite operation has been continuing to ramp up. Rabbit Lake and Inkai also increased this quarter over last year. And we received more good news yesterday when the Canadian Nuclear Safety Commission announced its decision to renew our licenses for McArthur River, Key Lake, and Rabbit Lake, and granted our request to increase those licenses to ten-year terms. We are very happy with the decision and look forward to continuing our work at those operations and working with the surrounding communities.

At Cigar Lake, good progress continues. You will recall that in September we announced that we had discovered some seepage in the run of mine, or ROM areas as we call them, during commissioning of the uranium processing facilities. We determined we needed to install steel liners in both ROMs in order to ensure the mine would meet our high standards for safety and efficiency once up and running. I'm pleased to say that those installations are essentially complete. And, of course, we have also been continuing with the other regularly-scheduled activities to bring the mine into production and we are, as we speak, jet boring in waste rock just below the ore body, so we're pleased about that. At the McClean Lake mill, the team at AREVA continues to work on the hydrogen issue in the leaching circuit and expects to begin processing Cigar Lake ore by the end of the second quarter of 2014.

If we turn to the market, it's much the same as the previous quarter. The overhang from Japan's idled reactors remains, and more recently we've seen some operational issues and shutdowns in South Korea and in the United States. Added to that, fuel buyers are well covered for the time being and, as a result, are not under a lot of pressure to contract right now. So in that environment the downward pressure we continue to see on the uranium price is not a surprise. The good news is

that the Japanese reactor restarts continue to edge ever closer to reality. As of today, five utilities have applied to restart 14 reactors and Japan's regulatory body is currently carrying out those evaluations. As one of the biggest catalysts for improvement in our industry, this is important progress that we are pleased to see. And while it certainly doesn't capture the headlines as much, there continues to be growth in our industry, significant growth in fact, to the tune of 69 reactors under construction today. China is leading that growth with 30 reactors under construction, having started on two more just this past quarter. India, South Korea, and Russia are some of the other countries with aggressive build programs.

As a result, by 2022 we expect over 90 net new reactors to be added to grids around the world. As we've said before, it's just a question of how long it will take for that growth to become the more dominant force in the market than the challenges currently being faced. So, for the time being, we've pulled back our own growth and have put serious cost restructuring into place. But let me assure you that we have not lost that forward focus. We still want to preserve the ability to be rewarded over the long term for the industry growth we see coming our way. That's why you see us taking the path we're on now, continuing with our plan to increase production, but in a more moderate way, a way that is appropriate for today's market conditions.

So just before we move to questions I'm going to ask our CFO, Grant Isaac, to say a few words about our cost of sales and our average realized prices, both of which have generated a few questions. Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Thanks, Tim.

As Tim mentioned, I simply want to comment on our quarterly average realized price and average unit cost of sales, which we have noticed has generated some comment since our disclosures earlier today, likely because of the very strong contribution of both to our quarterly uranium gross profit. For those of you who are navigating with the quarterly MD&A, I'll be referring to the uranium financial results segment starting on page 15.

When you look at the average realized price, this of course reflects the strength of our contract portfolio and the mix of contracts, both fixed and market, that we delivered into during the quarter. Our price sensitivity table, which you find on page 17 of our quarterly MD&A, is meant to illustrate, subject to some assumptions, how

the mix of contracts performed under market price scenarios. This then suggests that declining market prices do have a moderate impact upon our adjusted realized price going beyond this quarter. When we look at the average unit cost of sales on the operating cost side, we would just note that this reflects an average inventory or single-bucket approach we have to accounting for our uranium costs. So, all production and all purchases flow into the same bucket, on about a two-thirds to one-third basis, if you wanted to think about it that way.

With respect to the produced material, the costs have fallen. The costs have fallen on a unit basis because of higher production, but they've also fallen because of our restructuring and our efforts to reduce costs. And, of course, we aim to lock in these benefits and make them as sustainable as we can. In thinking about the costs of the produced material, you could turn to our outlook table. Our outlook table still has the annual guidance of an increase of 0 to 5 percent, so a moderate increase in our average cost of produced material for the year, and we've held that guidance in the third quarter. When you think about the purchased material, the costs have fallen due to the purchase opportunities in the quarter, and of course this source is subject to more variability. Of course, that quarterly activity on both a produced and a purchase basis flows back into the single-bucket approach or inventory accounting and then, to the extent that we see reduction, that has a bit of a life or a bit of a legacy effect on average unit cost going forward.

So, Tim, I just wanted to make those comments.

Tim Gitzel, President & Chief Executive Officer

Thank you, Grant. So, with that, we'd be pleased to answer any questions.

QUESTION AND ANSWER SESSION

Operator

[Operator instructions]

Our first question is from Ralph Profiti with Credit Suisse. Please go ahead.

Ralph Profiti, Credit Suisse

Good afternoon. Thanks for taking my question and for the added discussion on revenues and costs. I'd just like to switch to the nuclear business, if I may.

There was a restated supplemental lease charges in the quarter for actually something that was in Q2. Just wondering how much is that and are these costs now capitalized or captured elsewhere in the P&L?

Tim Gitzel, President & Chief Executive Officer

Ralph, we're scratching our head a little bit here. Grant, do you know?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Well, I think that's something we can follow up and just add a little more clarity to, Ralph. I don't have the answer in front of me at the moment.

Ralph Profiti, Credit Suisse

Okay. And if I can ask a follow-up, because you have left the guidance on the unit cost of sales unchanged, is there any reason to expect Q4 operations on a unit cost basis to be higher or is that guidance maintained just so that you're leaving the door opened for possible market purchases? Thanks very much.

Tim Gitzel, President & Chief Executive Officer

Thanks, Ralph. Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

Yes. As we just explained to the extent that the unit cost of sales reflects both purchased and produced activities, you know, we think of purchased, ah, some commitments that we have, as well as opportunistic purchases. So that guidance is maintained because we look out for the rest of the year and we see good restructuring performance, but we just don't fully know what the purchase opportunities might be and that's the appropriate guidance to maintain.

Operator

Thank you. Our next question is from Steve Bristo with RBC Capital Markets. Please go ahead.

Steve Bristo, RBC Capital Markets

Yeah, actually my question was also similar about the Bruce Power, the cost went down to 187 and I was wondering if that's a one-time adjustment for this supplemental lease charge adjustment or if we can expect similar costs going forward?

Grant Isaac, Senior Vice-President & Chief Financial Officer

The costs, the operating costs for the quarter were based on a number of things in Bruce Power. They reflected some deferred maintenance that was happening at that site, and that of course has shifted out some of those operating spends. The supplemental release, again, I'll get more information on that in a follow up, but the benefits were just, if you see them from a cost point of view, were just a shifting of the activity plan at Bruce Power.

Steve Bristo, RBC Capital Markets

Thanks. And then just a follow up going back to your comments about the cash cost for purchased uranium, it was much lower this quarter. Is that mainly due to HEU material or like is this low cost sustainable?

Tim Gitzel, President & Chief Executive Officer

I think those numbers reflect the long-term purchase commitments we have in place and a good chunk of that would be HEU.

Operator

Thank you. Our next question is from David Talbot with Dundee Capital Markets. Please go ahead.

David Talbot, Dundee Capital Markets

Good morning, gentlemen, and congrats on a good quarter. Thanks for this costs discussion, but I'd like to go into it a little bit more, because you're down significantly quarter over quarter. So this \$17.68 from the operations, you know, you mentioned the lower cost due to the purchasing from the, ah, for inputting that into inventory,

but really that can't just be the whole story. Are you getting some decline because perhaps Rabbit Lake's not up to full production or, you know, can you quantify this impact of the restructuring and the cost control program on your operating costs?

Tim Gitzel, President & Chief Executive Officer

Grant?

Grant Isaac, Senior Vice-President & Chief Financial Officer

When you look at the reductions on the produced side, the produced is in fact a unit impact that comes from higher production of course and then the balance is the reduction in costs and we would apportion those roughly 50-50. So to the extent that you're looking for sustainable cost reductions on produced material, we're starting to see the benefits of our restructuring program. The purchased material has already been talked about, refers to purchased commitments that we have, and there is variability obviously when we add opportunistic purchases into that as well, but if you just want to focus on the produced material we see good contribution from costs, performance, as well as from higher production.

David Talbot, Dundee Capital Markets

Okay. And when you talk about decreased activity in your NUKEM purchases, you know, \$50 million to \$70 million cash flow for this year, does that really account for volumes? Are you purchasing and selling about the same amount and that would flow into this inventory as well, but just at lower prices?

Tim Gitzel, President & Chief Executive Officer

Ken?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, well, I can tell you that in terms of activity NUKEM is performing as we had expected in terms of purchases and sales. I think what you're referring to is that NUKEM had intended to perhaps sell some inventory into the market but given this current market situation obviously elected not to and just deferred. So I would say absent

those, if we set those inventory sales aside, NUKEM is performing as expected. Of course, it varies quarter to quarter just like our own purchases and sales do.

Operator

Thank you. Once again, if you have a question, please press star one at this time. Our next question is from Oscar Cabrera with Bank of America Merrill Lynch. Please go ahead.

Oscar Cabrera, Bank of America Merrill Lynch

Thanks, operator. Good afternoon, everyone. Just would like to ask you about Talvivaara. There's commentary in your MD&A that suggests that the company could have liquidity issues and production from that may be affected on the uranium side. I was wondering if that production, if you could quantify what that production is and if that is part of your strategy of producing 36 million pounds by 2018.

Tim Gitzel, President & Chief Executive Officer

Yeah, thanks, Oscar. It is part of our strategy and, you know, we've heard, and we're in constant contact with the folks at Talvivaara, in fact we have people over there helping with the uranium circuit so we know or we're very close to them and we have good information. In fact, some of them are coming over here as well. So we understand they've got some liquidity issues. We're watching that very closely, working with them, and we'll see what comes out. I don't know what the result will be. I think they're going to put some information out by the end of the year, sometime in this quarter, so we'll watch that, but that is part of our drive to 36 million pounds by 2018.

Oscar Cabrera, Bank of America Merrill Lynch

Thanks, Tim. And then the follow up, would it be possible for you to tell us what the, you know, amount of purchases during the quarter were 3.8 million pounds, could you quantify how much of that was HEU?

Tim Gitzel, President & Chief Executive Officer

Yeah, Oscar, that's something, as you know, we haven't done in the past and we can't do that now.

Oscar Cabrera, Bank of America Merrill Lynch

Would you say it was the vast majority or half of it?

Tim Gitzel, President & Chief Executive Officer

I would certainly say HEU was included in that.

Operator

Thank you, we will move on to the next question, which is from David Snow with Energy Equities.

David Snow, Energy Equities

You've lowered the amount of Cigar Lake contribution for this year. Can you bring us up to date on the schedule of what's going on there and how it will play out going forward?

Tim Gitzel, President & Chief Executive Officer

Yep. I'm going to, in a second, turn it over to Bob Steane. You will recall, as I said, we gave an update on Cigar just a few weeks ago, and not much changed from that. We're happy to say we're doing some jet bore machine testing right now in a cavity and waste and so that's good. But, Bob, do you want to give an update?

Bob Steane, Senior Vice-President & Chief Operating Officer

Sure, Tim. David, really we've, I guess a couple of months ago we announced that we had those problems with the run-of-mine systems with the leaking. We've repaired those. We've put the steel plates in, tested them, resolved the issues we had there. So we picked up from where we left off and we're now, as we speak, jetting our first full cavity in waste. It's a bit below the ore. So we've drilled out below the ore body in frozen ground and we're doing waste rock for a couple of reasons.

One is to work with waste to get all of our systems working. It's easier to make sure everything is handling the slurry when it's waste rock as opposed to uranium ore, which has a little more challenging aspects of radiation protection to work with. So we're doing the first

testing with the JBS. It'll take us about a month. We will work through this. We've got, we'll jet the cavity, and there's about ten steps that go into putting in a cavity from the very first step, which is drilling the pilot hole up, and we went up about 30 metres, and then there's a whole number of pieces that happen right up to in the end it's to backfill the cavity with concrete, make sure all that backfilling system proceeds.

So we're at step seven of a ten-step program. It sounds like a recovery program. We're on step seven of that. So that will carry us through for another month or so to really get all of our systems, prove up our systems in waste, and then we'll move on to ore. So we're now beginning of November, so sometime in December or so we'll probably start, looking to start to mid-December, starting our ore cavities and, again, that gets us into production in Q1 we should see ore out of the mine.

David Snow, Energy Equities

What do you think you'll be producing in 2014?

Bob Steane, Senior Vice-President & Chief Operating Officer

In 2014, we're still—that's subject to seeing where AREVA are going with their schedule on the mill, because typically we talk about production being packaged pounds and AREVA are working, they're still on track for starting in Q1¹, but they're working through there. They finished the basic engineering, they're going through the detailed engineering and developing the schedule, so until we get that I'd be hesitant to put numbers on the schedule.

Tim Gitzel, President & Chief Executive Officer

Yeah, David, I think you asked, at the start of your question, for this year we've taken production out obviously that we had in, and then we'll be updating in Q1 2014 on the production for 2014.

Operator

Thank you. Our next question is from Edward Sterck with BMO Capital Markets. Please go ahead.

¹ Correction: Production from the mine is expected in Q1 of 2014, while production from the mill is expected in Q2 of 2014.

Tim Gitzel, President & Chief Executive Officer

Hi, Ed.

Edward Sterck, BMO Capital Markets Canada

Hi. Thank you very much. Good morning, everyone. I've got two questions. Just firstly on Rabbit Lake, production for the nine months to date was, I think I'm correct saying around 2 million pounds, and guidance is slightly at over 4.2 million or around 4.2 million pounds. Is there a fair amount of ore stockpiled to go through to the plant once the mill maintenance is complete and do you still expect to meet your 2013 guidance there?

Tim Gitzel, President & Chief Executive Officer

Yeah, Ed, it's Tim. I think we're still on track there. You know, the mining there is not simple mining and the mill can easily keep up, but I think we have enough stockpiled, where we should be close to making our production for the year. Bob, do you have any comments?

Bob Steane, Senior Vice-President & Chief Operating Officer

Yeah, that production, we've—actually the Rabbit Lake mill was down for the summer. There's more mill capacity the mine capacity. The mine has been operating throughout the summer. That's why production is seemingly low, but we're still on track to meet our 4.2 million pounds packaged for the year.

Edward Sterck, BMO Capital Markets Canada

Great, thank you. And then my second question just relates to the sort of, and I apologize, because I'm on the road at the moment and missed the introductory remarks, you might have mentioned this already, but in the commentary the realized price this quarter benefited from some higher-priced contracts coming through. Does that mean in the fourth quarter we can sort of expect some slightly lower-priced contracts coming through?

Tim Gitzel, President & Chief Executive Officer

Ken, do you want to answer that?

Ken Seitz, Senior Vice-President & Chief Commercial Officer

Yeah, Ed, a fair question. I think what you can still just refer to is our price table that we put out. And so you can make some assumptions about what uranium prices will be for the balance of the year but that table, I think, still reflects how we're going to perform in the year. It's a big quarter for us in terms of deliveries and it's going to be a mix of some market-related but more fixed-price contracts and, again, it's in the table.

Operator

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

Oscar Cabrera, Bank of America Merrill Lynch

Thanks, operator. Thank you for taking my follow-up question, guys. Just with regards to the uranium market, interested in your comments about the UK revisiting the, um, or not revisiting, sorry, but planning on getting new reactors built after, I believe it was the last two decades is the first time they do a new reactor, so just comments on that please to start with and then a follow-up please.

Tim Gitzel, President & Chief Executive Officer

Yeah, thanks, Oscar. We find that to be very good news, to see, in Europe, UK sticking with nuclear, despite what some of the neighbors are doing there. Having now found a price with EDF-strike price, which is a healthy price I would say, but obviously they have done the economics on that and they need safe, clean, reliable power there in the UK and they've chosen to have nuclear as a big part of the mix. So that's part A. Part B is, you know, you've got EDF in there and now the Chinese are coming in to invest heavily, I think, into the UK market. So really a bit of a sea change, I would say, but I think very positive.

Oscar Cabrera, Bank of America Merrill Lynch

Great. And then, you know, continue to get this question, and I'm pretty sure that you guys have, just wondering if you can provide us with colour or comments, as Japan continues to delay their restarts of their reactors how should one think about the level of inventory or how many

years or months, I don't know how you can put it, what should we expect? If these reactors come back in 2014 for how long would the utilities have their supply of uranium complete without the need to increase this?

Tim Gitzel, President & Chief Executive Officer

Yeah, Oscar, we have talked about that in the past and, you know, the only thing that's maybe changed from our comments in the past is that it is taking a bit longer, I think, for the NRA, the regulator, to review these units that are under review. I think today there's five utilities with about 14 reactors being reviewed. We look forward to the completion of that review. I think I heard someone say that we're in month five of the review. So it's, you know, we're obviously getting closer to decisions on some of them, so we'll see. I would say this, that prior to the Fukushima event the country consumed about 20 million pounds a year, normally held around three, four years inventory, so that's probably up by a year, and so I think you can expect that. Wait to see what their policy on inventory is going forward when the units start restarting again. I can tell you just something else; I'm heading over there actually on Sunday for a week. We're visiting with all the utilities that have units in the lineup for restart and so we'll certainly get some on-the-ground information while we're there and if there's anything interesting we'll certainly update you there. But I think that's, you know, they probably have four to five years' inventory, which isn't way out of line with what they've kept in the past and so the good news is we haven't seen them putting that inventory on the market. We've worked with them, Ken and his group have worked diligently for two and a half, more years now, as have other suppliers, to help manage that inventory and I think it's gone quite well.

Operator

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

Tim Gitzel, President & Chief Executive Officer

Well, thank you, operator, and thank you to everyone who has joined us today on the call. I'll just close by reiterating what are, in my view, the key things to take away from today.

First, the long-term fundamentals of our industry remain strong and the growth is occurring today. That said, uncertainty persists and the industry continues to feel the

effects. At Cameco we are not immune to those effects but we've continued to succeed, as I think our results show today. We have been able to adapt to conditions in the market and continue to pursue a long-term growth plan that we believe will be needed once the current uncertainty clears and the market is driven by the real fundamentals underlying it.

I just want to say one further note before we sign off. I was in touch with the President of our partner, AREVA, this morning, who advised me that the AREVA hostages, who have been held for over three years, have been safely returned to France from Niger. This is great news, important news for all of us, as some of us know these people personally. So we're really pleased on that account, a great day for AREVA and great for all of the mining industries.

So, with that, thank you again and have a great day.

Operator

Thank you. The Cameco Corporation Third Quarter Results Conference Call has now ended. Please disconnect your lines at this time. We thank you for your participation and have a great day.
