



Cameco Corporation

2020 Fourth Quarter Results

Conference Call Transcript

Date: February 10, 2021

Time: 8:00 AM ET

Presenter: **Tim Gitzel**
President and Chief Executive Officer

Grant Isaac
Senior Vice President and Chief Financial Officer

Rachelle Girard
Vice President, Investor Relations, Treasury and Tax



OPERATOR:

Welcome to the Cameco Corporation Fourth Quarter 2020 Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

I would now like to turn the conference over to Rachelle Girard, Vice President, Investor Relations, Treasury and Tax. Please go ahead.

RACHELLE GIRARD:

Thank you, Operator, and good morning, everyone. Welcome to Cameco's Annual and Fourth Quarter Conference Call. Today's call will focus on the trends we are seeing in the market and on our strategy, not on the details of our quarterly financial results.

There's been a lot going on both for the Company and industry, and we recognize there is significant interest in limited sources of information for our investors. As always, our goal is to be



open and transparent with our communications. Therefore, if you have detailed questions about our quarterly financial results or should your questions not be addressed on this call, we will make ourselves available to speak to you after the call. There are a few ways to contact us. You can reach out to the contacts provided in our news release, you can submit a question through the contact tab on our website, or you can use the Submit Question tab on the webcast, and we will be happy to follow up after this call.

With us today on the call are Tim Gitzel, President and CEO, Grant Isaac, Senior Vice President and CFO, Brian Reilly, Senior Vice President and Chief Operating Officer, Sean Quinn, Senior Vice President, Chief Legal Officer and Corporate Secretary, and Alice Wong, Senior Vice President and Chief Corporate Officer.

I'm going to hand it over to Tim to talk about the growing demand for nuclear power, the uranium market fundamentals, and about Cameco's strategy to add long-term value. After, we will open it up for your questions.

If you have joined the conference call through our website event page, there are slides available, which will be displayed during the call. In addition, for your reference, our Quarterly Investor Handout is available for download in a pdf file on our website at cameco.com.

Today's conference call is open to all members of the investment community, including the media. During the Q&A portion, 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.



Forward-Looking Information Caution

This presentation includes forward-looking information or forward-looking statements under Canadian and US securities laws, which we refer to as forward-looking information. This information about our expectations for the future is based upon our current views, which can change significantly, and actual results and events may be significantly different from what we currently expect. Examples of forward-looking information that may appear in this presentation include our expectations regarding uranium demand, supply, consumption, prices, long-term contracting and our ability to meet delivery commitments; the outcome of litigation or other disputes; and our future plans and outlook. Material risks that could lead to a different result include: unexpected changes in uranium supply or demand, our production, purchases, sales, costs, taxes, our mineral reserve and resource estimates, currency exchange rates, or government regulations or policies; the risk of litigation or arbitration claims against us that have an adverse outcome; the risk that our contract counterparties may not satisfy their commitments; we may be unable to manage the current uncertain environment resulting from the COVID-19 pandemic and its related operational, safety, marketing or financial risks; the risk that our strategies are unsuccessful or have unanticipated consequences; and the risk our estimates and forecasts prove to be inaccurate. In presenting this information, we have made material assumptions which may prove incorrect about: uranium demand, supply, consumption, long-term contracting and prices; our production, purchases, sales, and costs; taxes and currency exchange rates; market conditions and other factors upon which we have based our future plans and outlook; the success of our plans and strategies; the agreement of our partners with our plans and strategies; the accuracy of our estimates; the absence of new and adverse government regulations or policies; the successful outcome of any litigation or arbitration claims against us; our ability to successfully manage the current uncertain environment resulting from the COVID-19 pandemic and its related operational, marketing and financial risks; and our ability to complete contracts on the agreed-upon terms. Please also review the discussion in our most recent annual MD&A, any subsequent quarterly MD&A and our most recent annual information form for other material risks that could cause actual results to differ significantly from our current expectations and other material assumptions we have made. Forward-looking information is designed to help you understand management's current views of our near- and longer-term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

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TIM GITZEL:

Thank you, Rachelle, and welcome to everyone on the call today. We appreciate you taking the time to join us. I hope it's not too late to wish all of you a Happy New Year.

As we head into 2021, I have to tell you we're excited about the future for our industry and about our ability to support the transition to a net-zero carbon economy through both traditional and non-traditional uses of nuclear power, and we are excited for our Company as we execute on our Tier 1 strategy that includes production discipline, marketing discipline and conservative balance sheet management. So, what's driving our optimism?

Favourable market fundamentals

Cameco strategically positioned

Nuclear Demand: Outlook Improving

- + *Global focus on electrification*
- + *Global focus on decarbonization*
- + *Country net-zero carbon targets*
- + *Company net-zero carbon targets*
- + *Infrastructure investments*

= **Low-Carbon & Low-Cost Nuclear Power**



Uranium Supply: Outlook Uncertain

- + *Planned Supply discipline*
- + *Unplanned supply disruption*
- + *Underinvestment in existing capacity*
- + *Underinvestment in new capacity*
- + *Decreasing secondary supply*

= **Significant Uranium Supply Deficit**

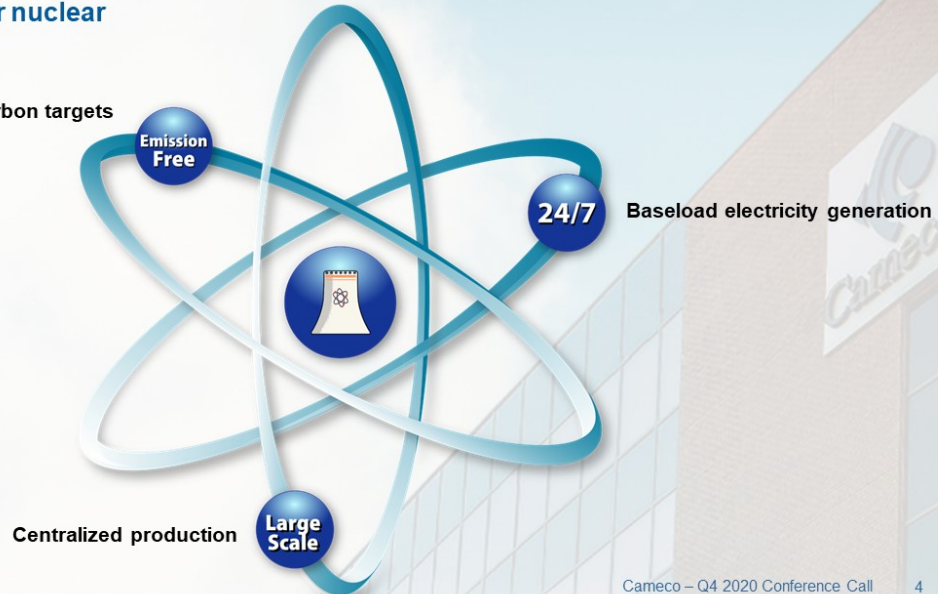
Well, if you remember anything from this call, remember this, that there are really three main drivers for our optimism: first, demand for nuclear power is becoming more certain as the fundamentals improve; second, uranium supply is becoming less certain, as years of persistently low prices have led to planned production curtailments, lack of investment, the end of reserve life for some mines, shrinking secondary supplies and trade policy issues; and, finally, remember that our long-term strategy positions us very well to sustainably deliver long-term value. Let's dig into each of these factors a bit deeper.

Around the globe, we're seeing a clear megatrend emerge. That megatrend is focused on increasing electrification, while phasing out carbon-intensive sources of energy.

Nuclear's low-carbon advantage

Traditional role for nuclear

Countries: Net-zero carbon targets



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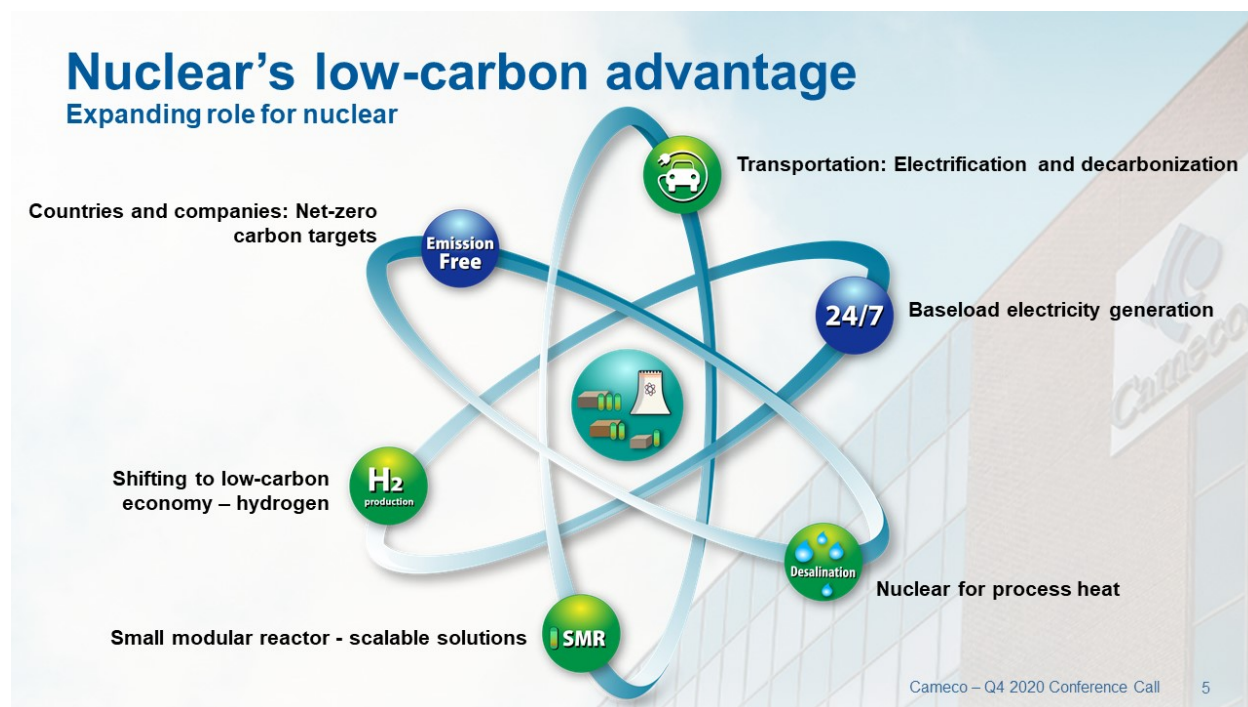
The increasing focus on electrification is for various reasons. There are those that are installing baseload power, those who are looking for a clean, reliable replacement for current sources, and, finally, there's new demand for things like the electrification of transportation.

The drive for increased electrification is occurring precisely while countries and companies around the world are fixated on reducing their carbon footprint. Many have announced net-zero carbon targets, and many more are expected to follow. Country after country recognize that in a world where 80% of our electricity still comes from fossil fuel sources, 80%, nuclear will be needed in the toolbox to sustainably achieve both electrification and decarbonisation.

The country of China, for example, which has a goal to have 25 million electric vehicles on the road by 2030, recently stated that its objective is to become carbon-neutral before 2060. A follow-on study from a climate scientist in that country predicted that to achieve this goal will require an estimated 380% increase in nuclear power capacity from 2025.

That would be about 200 reactors for China alone, double that of the U.S. fleet, which is currently the largest in the world. In addition, we expect nuclear will do well under COVID recovery plans, where increased government infrastructure spending will support broader policy goals to achieve net-zero carbon targets.

Then, there's the U.S., where the new Biden administration has expressed its support for maintaining its domestic nuclear power fleet and the construction of advanced reactors. In his first day in office, the President also recommitted to the Global Paris Agreement and committed the United States to re-establish its position as a global leader in the development of commercial nuclear technologies.



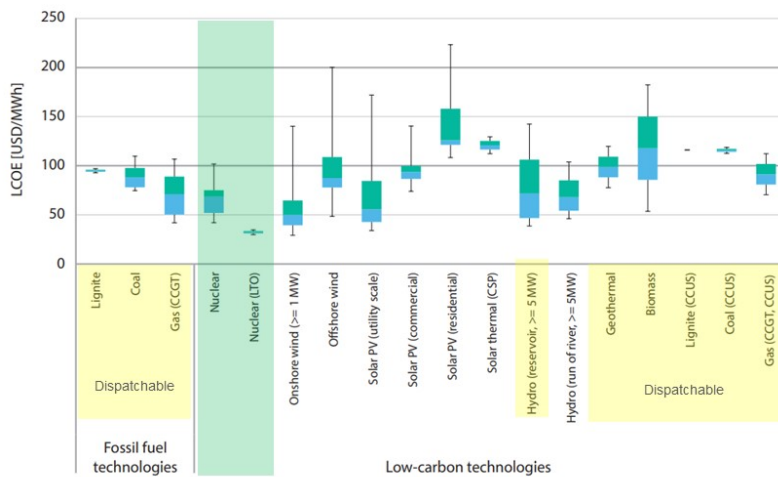
Furthermore, we're seeing momentum building for non-traditional commercial uses of nuclear power, such as the development of small modular reactors and advanced reactors. Nuclear is also the only low-carbon source that can produce low-carbon heat that, along with its traditional uses, can be used to produce clean hydrogen and fresh water.

In addition to countries, we're seeing company after company announce net-zero carbon targets. They recognize there is increasing scrutiny on their environmental performance. Investors are beginning to price climate-related risk into their capital allocation decisions. As a result, there's a significant reallocation of capital occurring that will create opportunities for those companies who can assist with the transition to a low-carbon economy.

So, this is another very positive development. Investors will not only look to invest in those companies that can demonstrate improved environmental performance, they will look for those companies that are positioned to do it profitably and sustainably. Unlike countries, companies will have to make decisions that are economically sound to attract investment.

Nuclear's low-cost advantage

Levelized cost of electricity



“Electricity produced from nuclear long-term operation... is highly competitive and remains not only the least cost option for low-carbon generation... but for all power generation across the board.”

“Nuclear thus remains the dispatchable low-carbon technology with the lowest expected costs in 2025”

- IEA/OECD

IEA (2020), Projected Costs of Generating Electricity 2020, IEA, Paris <https://www.iea.org/reports/projected-costs-of-generating-electricity-2020>

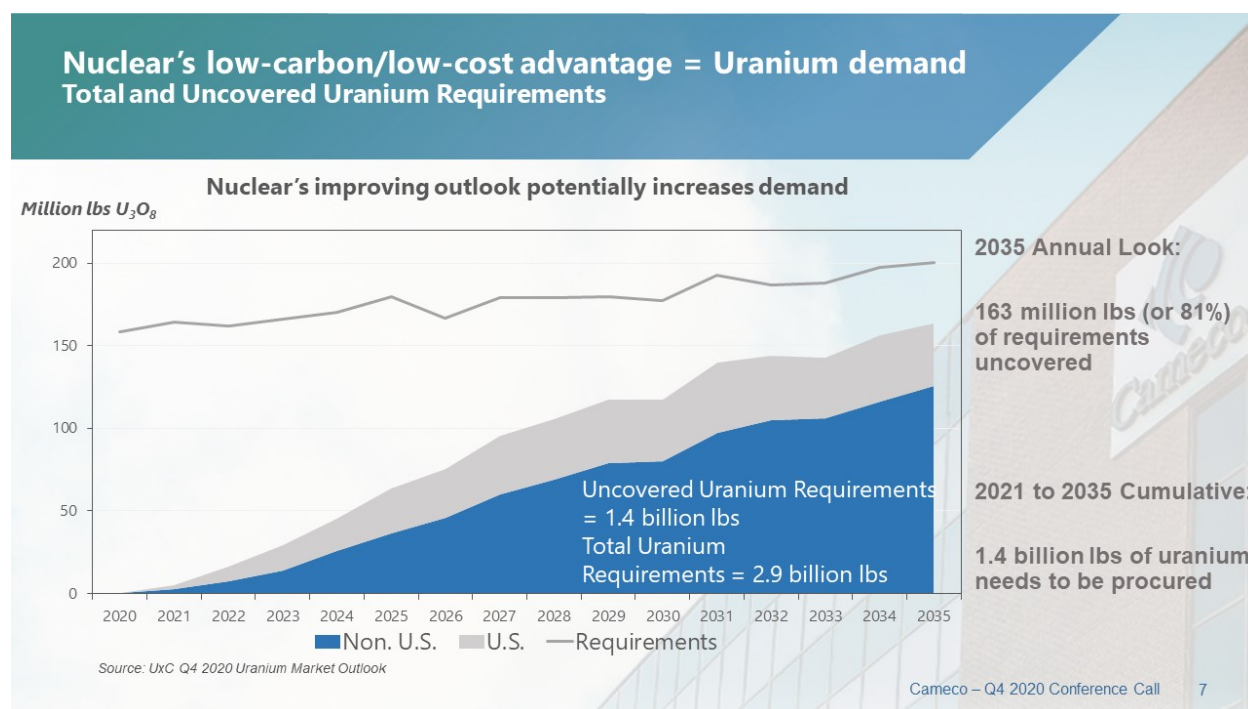
Based on a joint report published by the International Energy Agency and the OECD Nuclear Energy Agency in 2020, when you look at levelized cost of nuclear, compared to other low-carbon sources, nuclear energy is the most cost-effective way to provide low-carbon, dispatchable 24/7 electricity.



I think Michael Shellenberger illustrates this point well in his book *Apocalypse Never*. He talks about Germany's support for renewables over the last 20 years. How it's nearly half a trillion-dollar investment in wind and solar by 2025 will provide only about half of German electricity, and that it will continue to be reliant on natural gas and coal as a backup.

The same investment in nuclear would mean it would be generating 100% of its electricity from zero-emission sources, and it would have sufficient zero-carbon electricity to power all of its cars and light trucks, as well.

So, the outlook for nuclear is very bright.

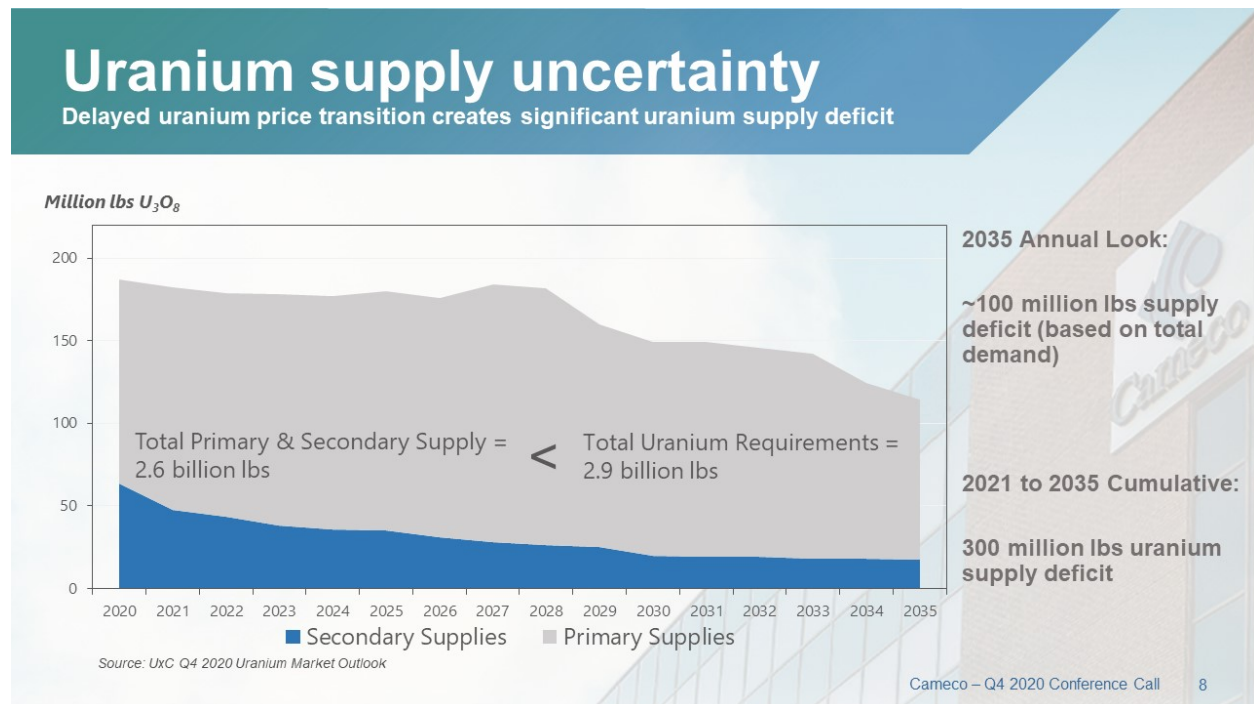


Increasing demand for nuclear means increasing demand for uranium, which brings us to the second factor that I said is driving our growing optimism. Demand for uranium is rising at precisely the same time that supply is becoming less certain. We know that utilities have not been replacing what they consume annually under long-term contracts.



Based on UxC data over the last five years, approximately 815 million pounds of U308 equivalent have been consumed in reactors and only about 390 million pounds have been locked up under long-term contracts. This has led to a growing wedge of uncovered uranium requirements. UxC estimates show that global cumulative uncovered uranium requirements are about 1.4 billion pounds to the end of 2035, with the largest uncovered requirements in the U.S. and Asia.

While uncovered requirements are not particularly high in 2021, by 2025 they reach 33%. By 2030, about two-thirds of the utility requirements are uncovered, and that number is 81% in 2035. In contrast, these growing uncovered requirements are occurring at a time when there's some big question marks about where the uranium will come from to fuel the world's expanding nuclear fleet.



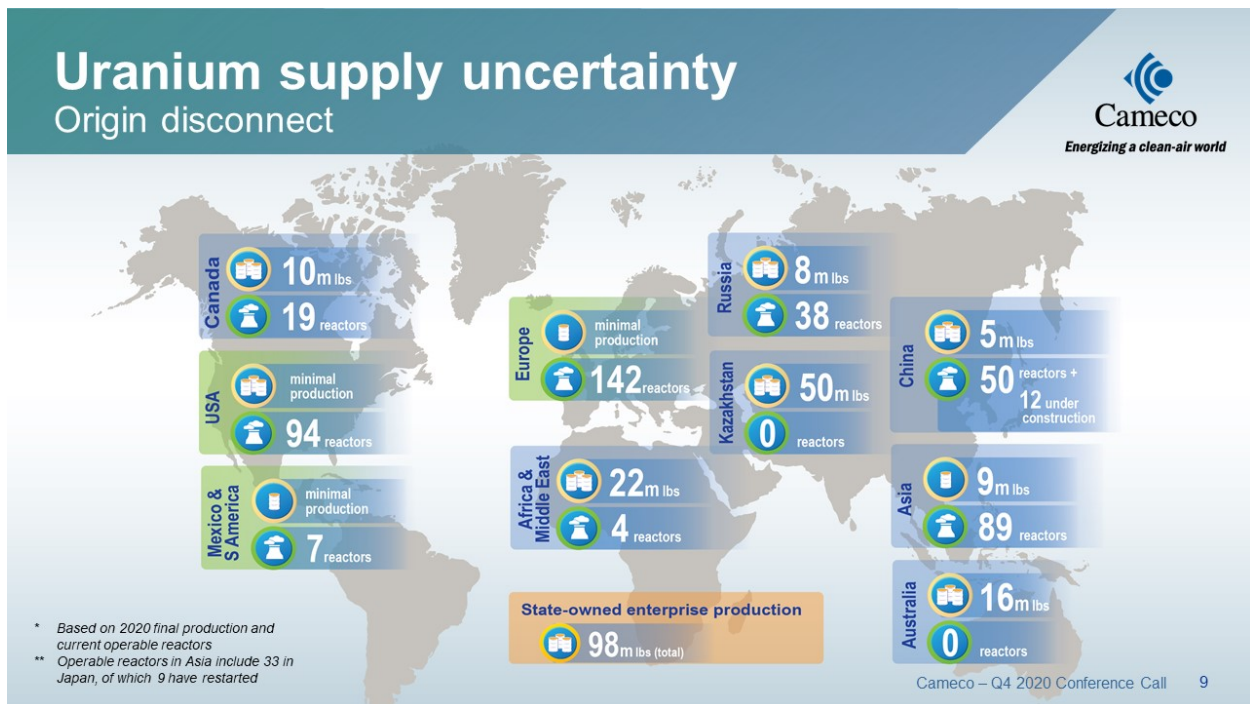


Cameco's supply curtailments alone, both planned and unplanned, have left a lot of pounds in the ground and kept them off the market, about 95 million pounds in total. And our purchasing activities to replace the pounds needed to fill our sales commitments has taken more than 50 million pounds off the spot market and placed that material into long-term contracts. In total, that's almost a 145-million-pound swing in the supply fundamentals from just one producer. That's a lot of heavy lifting.

In its base case, UxC projects annual uranium demand will grow from about 170 million pounds in 2021 to about 210 million pounds by 2035. In contrast, it estimates annual primary production will go from about 130 million pounds in 2021, peaking in the late 2020s at about 155 million pounds, which will of course be subject to the appropriate price signals, before dropping to about 95 million pounds in 2035.

In the same timeframe, it estimates that annual secondary supply will decrease from about 45 million pounds in 2021 to about 17 million pounds, for a total supply of about 112 million pounds in 2035. That's an annual shortfall of almost 100 million pounds by 2035. That means the world needs to discover, develop, commission about six McArthur Rivers or Cigar Lakes in the next 15 years. Given the timelines it takes, we should be investing now, but at today's prices, that makes zero sense.

In addition, as a highly trade-dependent commodity, government-driven policies can be particularly disruptive for the uranium market. As I said earlier, due to persistently low prices, we've seen planned supply curtailments, lack of investment, the end of reserve life for some mines, shrinking secondary supplies, and trade policy issues which have been amplified more recently by unplanned supply disruptions due to the COVID-19 pandemic. As a result, primary supply has become concentrated.



It is concentrated geographically, with about 80% of primary supply coming from countries that consume little to no uranium and nearly 90% of consumption occurring in countries that have little to no primary production. And it's highly concentrated by producer, with about 70% of primary production in the hands of the top five producers and about 80% in the hands of state-owned entities. So, we believe, and we've said this many times before, that in the current market the risks to uranium supply are far greater than the risks to uranium demand.

These are the fundamentals that get us up in the morning and why we remain a pure play supplier of uranium fuel needed to produce clean, carbon-free baseload electricity, which brings me then to the final factor driving our optimism, our strategy, and why we remain committed to doing what we said we would do. Let me remind you what it is that we said we would do.

COVID-19 response
Cameco's values

Health and safety is always our priority.



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First and foremost, and this is where it all starts for us, we are focused on protecting the health and safety of our workers, their families and their communities. We're doing that every day. We make decisions about how to best manage our operations and protect and support our workforce through the pandemic. It is unacceptable to put production targets ahead of health and safety, as we have recently watched some companies do.

That's why we took the precautionary measures last spring to suspend production at the Cigar Lake mine, the Port Hope UF₆ conversion plant and at the Blind River refinery, and it's why production at Cigar Lake was suspended once again in December, and currently remains so.

Although it comes with a significant cost, we wanted to prevent the spread of the virus within our workforce and the risk that they could take it home to their families and their communities. Pandemic or no pandemic, the health and safety of our employees will always be our priority. Second, we've not wavered from the execution of our strategy.

Cameco Disciplined execution of our strategy



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There are three fronts on which we are executing our strategy: operational, marketing and financial.

On the operational side, we've implemented planned supply discipline, cutting our production well below our delivery commitments. This includes the curtailment of production at Rabbit Lake, our U.S. assets, and of course at the McArthur River/Key Lake operation. As I said earlier, these actions have left a lot of pounds in the ground and have kept them off the market. As a consequence, we've been purchasing material on the spot market to meet our committed deliveries.

In addition, we've shown sales discipline, sticking to our value strategy. We've been strategically patient, not committing our Tier 1 pounds under long-term contracts that don't provide an appropriate return, and not exhausting them in a low-price environment, and we're seeing our patience pay off.



We successfully added 12.5 million pounds to our long-term contract portfolio during the year, and our pipeline of uranium business under negotiation continues to be larger than we've seen since 2011. In fact, we continue to see off-market interest growing. Historically, it has been a leading indicator of broader demand for long-term contracting. We're having conversations with our biggest and best customers. These customers recognize the long-term fundamentals.

Cameco

Competitive advantages

- ✓ Well positioned to respond to changing dynamics
- ✓ Diversified portfolio, including tier-one assets
- ✓ Independent, commercial supplier
- ✓ Canadian productive capacity
- ✓ Proven track record:
 - ✓ licensing,
 - ✓ permitting,
 - ✓ operating and
 - ✓ ESG commitment and performance

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They want access to long-lived Tier 1 productive capacity from commercial suppliers who have a proven operating track record. They understand that, from a security of supply perspective, today's prices do not reflect production economics. They recognize the first-mover advantage gained from securing their future access to our Tier 1 pounds today, as opposed to in the future.

We have some competitive advantages. We have significant idled Tier 1 capacity that is fully licensed and fully permitted, that will be among the first pounds to meet the growing demand in the market. We are an independent commercial supplier. We provide our customers with supply diversity from state-owned enterprises. With substantial Canadian productive capacity, we can help de-risk their future supply from trade policy exposure, and emerging is the focus on ESG matters, which is great news for us.

In 2020, we saw the COVID-19 pandemic, as well as a number of other significant issues, like racial injustice and inclusion and diversity place a magnifying lens directly on the environmental, social and governance performance and commitment of many companies, and despite all the disruption, the world certainly didn't take its eye off the global threat of climate change. Tackling these issues requires a concerted and coordinated effort. As companies, we all have to evaluate our purpose and how we serve the interests of all our stakeholders.

Cameco Sustainability – making a difference

- Strong board oversight of global ESG standards – mature enterprise risk management framework
- Measures of success incorporate ESG factors
- 100% of product goes to producing clean, carbon-free, base-load electricity
- 30-year commitment to protect, engage and support development of our people and their communities and to protect the environment



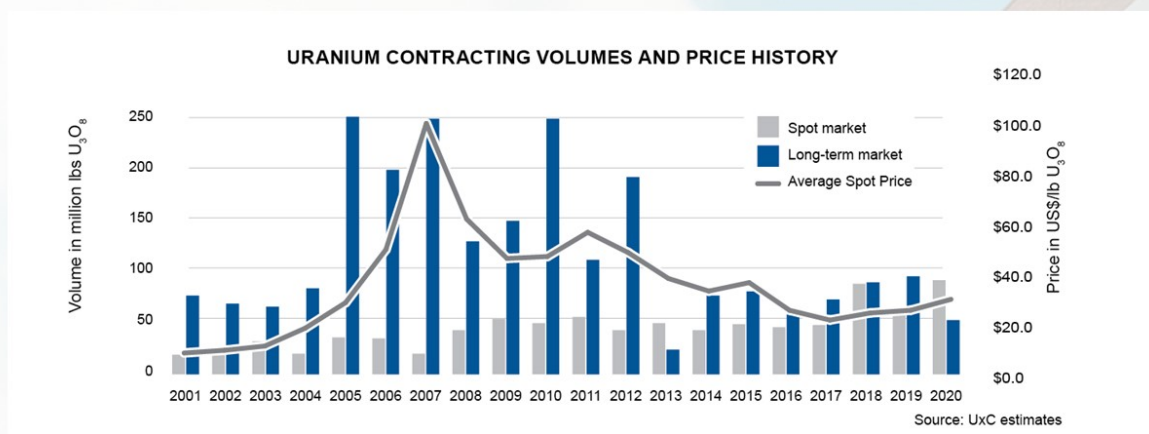


At Cameco, serving the interests of our stakeholders has always been at the heart of what we do, long before there was a focus on ESG issues, because it's the right thing to do and we recognize the significant business value it adds. Our board and our employees, contractors, communities, suppliers, customers, governments and shareholders expect us to manage this company in a long-term, sustainable fashion. We're very proud of our over 30-year commitment to protect, engage and support development of our people and their communities, and to protect the environment.

The uranium fuel we supply plays a significant role in contributing to greenhouse gas mitigation efforts in Canada and abroad. In Canada alone, this uranium fuel provides greater than 30% of the Province of Ontario's electricity every year, avoiding more than 5 million tonnes of carbon dioxide from being emitted. Considering only the Canadian emissions avoided resulting from the use of nuclear power in Ontario, we like to think of ourselves as Canada's first net-zero mining company. So, we are well positioned to meet our customers' needs.

However, market prices in our business take time to impact contracting decisions. Historically, demand has come in waves, which has led to past price spikes.

A deliberate strategy Contracting – strategic patience





As an industry, we rarely see annual replacement-rate contracting. We are, typically, well above annual consumption or well below. Many of these contracts are big, chunky agreements that take time to negotiate.

Let's look at the conversion business, for example. Conversion prices began to transition in about 2017, after significant supply curtailments due to prices below production economics, and then there were some unplanned disruptions. Does this sound familiar?

In 2020, we successfully replaced the pounds delivered under our UF₆ contracts and we added another 17.1 million kilograms of UF₆ to our long-term contract portfolio. We expect these contracts will allow us to continue to operate profitably and consistently support the long-term fuel services needs of our customers. All of these agreements took time, but the reward was worth the wait.

Finally, on the financial side, we've been very deliberate in shoring up our balance sheet. You can see the resiliency our strategy affords us in our 2020 balance sheet. Despite the unprecedented global challenges and the significant costs we incurred as a result of the disruptions to our business caused by the COVID-19 pandemic, we finished the year with about \$940 million in cash and a \$1 billion undrawn credit facility.

As such, we have the financial capacity to self-manage risk and maintain our strategic resolve. So, I'm happy to say we're performing well on all three strategic fronts. However, there are costs to our strategic decisions, which are reflected in our 2020 financial results.

Cameco strategy Expected benefits



<i>Future run-rate:</i>	<i>Expected benefits of our strategy:</i>
<ul style="list-style-type: none"> • Resumption of tier-one idled capacity • Long-term contract portfolio that recognizes production economics • Ability to execute strategy and self-manage risk 	<p>Leverage to the upside</p> <ul style="list-style-type: none"> • Market-related exposure in a higher priced uranium market • Tier-one cost structure • Supply optionality – tier-one expansion, tier-two capacity, pipeline • Commercial, non-SOE, reliable supply <hr/> <p>Downside protection</p> <ul style="list-style-type: none"> • Committed sales portfolio • Tier-one cost structure • Strong balance sheet protection • Commercial, non-SOE, reliable supply

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But the good news is this does not represent the run rate of our business and it won't go on forever. We're taking the steps today and incurring the costs we expect will allow us to restart our Tier 1 assets with more flexibility in the production rate, to eliminate the care and maintenance costs incurred while our Tier 1 production is suspended and to benefit from the very favourable life-of-mine economics they provide.

One of those steps is a project we are working on at our McArthur River/Key Lake operation. We have assembled a team of internal experts who have been tasked with assessing, designing and implementing opportunities to improve mine and mill efficiency through application of automation, digitization and optimization. There are 43 projects in the works, and those that meet our investment criteria will be advanced to implementation in 2021.



We're confident in our ability to transition through this period and capture demand that will provide leverage to higher prices, and we've concluded that we have the right vision, strategy and values to deliver long-term, sustainable value.

Right vision and strategy

- Our vision is aligned with the world's growing need for carbon-free energy
- Nuclear power can help avoid some of the worst consequences of climate change
- Our strategy is successfully positioning Cameco to achieve our vision



Our vision, which is to “energize a clean-air world” recognizes that we have an important role to play in enabling the vast reductions in greenhouse gas emissions required to achieve a resilient net-zero carbon economy.

As we seek to achieve our vision, we are committed to doing it in a manner that reflects our values. Those values have not changed, they've always guided our actions, and they place a priority on safety and the environment, on building and supporting a flexible, skilled, stable and diverse workforce, on behaving with integrity and leading by example, on promoting equality and acting to eliminate racism wherever it exists, and on pursuing excellence in all that we do and inspiring others to do the same.



Our decisions are deliberate. We are a responsible, commercially motivated supplier, with a diversified portfolio of assets, including a Tier 1 production portfolio that is among the best in the world. We are well positioned to take advantage of a market where demand for nuclear power, both traditional and non-traditional, is growing, where we believe the risk to uranium supply is greater than the risk to uranium demand, and where we believe our strategic decisions and strategic patience provide us with resiliency in the face of unprecedented challenges and will result in the rewards that will come from having low-cost supply to deliver into a strengthening market.

So, thanks for joining the call today, and, Operator, with that, we would be happy to answer your questions.

A presentation slide for a Q&A session. The background is a photograph of a modern brick and glass building with the Cameco logo on the facade. The slide contains the following text and graphics:

- Cameco** logo and tagline: *Energizing a clean-air world*
- Q&A** in large blue letters
- Investor Relations** section with contact information:
 - @ investor_requests@cameco.com
 - ✉ 2121 11th Street West, Saskatoon, Saskatchewan
 - 🌐 cameco.com/invest
- Exchange listings: **CCO LISTED ON TMX** and **CCJ LISTED NYSE**
- Page number: 17
- Page title: Cameco – Q4 2020 Conference Call



OPERATOR:

Thank you. We will now begin the question-and-answer session. In the interest of time, we ask that you limit your questions to just one, with one supplemental. If you have additional questions, you are welcome to rejoin the queue. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question from the queue, please press star, then two. Webcast participants are welcome to click on the Submit Question tab near the top of the webcast frame and type their question. The Cameco Investor Relations Team will follow up with you by email after the call. Once again, anyone on the conference call who wishes to ask a question may press star and one at this time.

Our first question comes from Andrew Wong of RBC Capital Markets. Please go ahead.

ANDREW WONG:

Hey, good morning, and Happy New Year to you guys, too. There's been a lot of focus recently on clean energy, and you've mentioned potential non-traditional uses of nuclear energy. Could you just talk a little bit more about that? Then, also, how does that impact your demand outlook for, say, the next 10 years, versus maybe what you had expected previously, and on the regulatory side, have there been any changes that might be more supportive for nuclear growth? Thank you.

TIM GITZEL:

Well, thanks, Andrew, and good morning, everybody. Yes, thanks for that question. We're excited, because, as I said in my comments, we're excited about the future. I think in the last—and I can't think of how many years. Certainly, the last 10 years, since 2011, but even more than that, I don't think I've seen more positive indicators for the nuclear industry than we're seeing today.

The most recent one came just last month in the U.S., a change of administration. Down there, the Biden government comes in and what is the first thing he does? He signs an executive order saying that "We're signing onto the Paris Accord," and that climate change is going to be at the



centre—I think he said at the centre of U.S. foreign policy and national security. So, the U.S. is in. China is in. So, now, we're on this track to meet the Paris commitments. I think President Biden said in the U.S., he wants the electricity industry to be fossil-fuel-free by 2035. Well, think about that. Today, it's two-thirds fossil fuels and in 14 years, it's going to be fossil-fuel-free. I can tell you that's a signal that all roads are going to have to go by nuclear plants, I think, if you're ever going to get there. We're seeing that in the U.S., which is a big driver in the world.

China continues on its pace, and now 50 reactors. Every time we have one of these meetings, we always check the numbers, is it 46, 47? It's 50 now, and I think there's another dozen under construction, and we've seen numbers from Ux and others that they're not stopping at all on their pace to get to 100 or more reactors. They'll be the biggest nuclear country in the world, probably, within the next decade.

Our friends in India continue to build, they're building some of their domestic technology there, a good friend and customer of ours.

Just the talk now, the SMR talk, the accident-tolerant fuel, the U.S.—the U.S., even before President Biden, there was bicameral, bipartisan support for nuclear. They passed last year two or three bills supporting nuclear. So, we see that as a good sign. The more people talk about it, the more people get comfortable with it, and see it as absolutely necessary if you're going to get anywhere near reaching those Paris targets. I was just reading an article this morning, all the language has changed, from global warming to climate change to climate emergency, and now it's climate crisis, and so this world is going to have to move fast. We see that as positive. We see, I think, 52 new reactors being built in a variety of countries around the world now. Two new players came on, two new country players. U.A.E and Valerius came on last year, that's good news. Lots of countries talking about it again.

So, all of that, Andrew, to say really positive vibes, if you like, in the nuclear industry, which we think will translate then to the rest of your question, demand for uranium. Already, we see the uncovered requirements, take your pick, to 2030, 700-plus million pounds, to 2035 1.4 billion. I mean, that's on the pace that we've—a very conservative pace that we've laid out, never mind the SMRs, never mind countries that might want to get in the game to reach their goals. We see that super-positive for nuclear.



We're enthused here at Cameco about our role that we're going to play going forward, and we say all this in the context of supply that is shaky, I would say, shaky in several senses. In the short term, we've got Cigar down for COVID reasons. We don't want it to be down, but it is, and we'll keep it down until further notice. We've got McArthur down. Kazakh is holding back on production. Then, just the pure losses. I can tell you we weren't thrilled to see our friends at ERA go down last month. That's a mine. We've dealt with them for years, great people. That mine's gone. Four million pounds that used to come every year—we competed with them—gone. The COMINAK mine, that I was responsible for a decade ago, when I was looking after Niger for AREVA, next month, it's gone, it's gone. There's lots of social pieces that go with that, but that's another 3 million pounds that's just gone from the market. BHP, we worried about them for 20 years, about them bringing on, you know, doubling their production out of Olympic Dam, pulled back on that, so it doesn't make sense, they're not going. Our own Cigar Lake, within that timeframe I talked about, is out. If we run it at 18 million pounds, it makes it to the end of the decade.

So, all of that to say—I mean, those are just basic supply/demand fundamentals. Demand, I think has got, if not an actual boost, a moral boost for sure, and supply is trending downwards. That was a long answer to your question, Andrew, but that's what we're seeing today and that's what gets us up and running every morning.

ANDREW WONG:

That's great, thank you, Tim, and maybe just a more nearer term question just on the operations. The guidance for 2021 calls for 8 million to 10 million pounds of purchases. What does that assume for the start-up at Cigar Lake?

TIM GITZEL:

Well, we don't know, to be honest with you, we don't know. We took it down in 2020. I think we were down from March till kind of end of August. September, we fired it back up again, and then we got into the same jackpot with our workers not being able to come to the site. We had so many restrictions on the flights up north. Our good GM up there, Lloyd Rowson, was struggling to find qualified workers for the shifts. So, we had to go down again in December. We didn't want to, but the safety and health of our employees will always be number one. We don't want to yo-yo that place like that, we don't want to start it up again and then have to shut it down.



We're like everyone else in the world, especially here in Canada, waiting to see the vaccine roll out. Our government rolled out a plan for vaccination, but the only catch was we don't have any vaccine, which is a bit of stumbling block. We're waiting for that. All of those things, we'll be in close contact with the public health authorities, Population Health up north, with the Chiefs and leaders of the communities, and with our site management. I can't tell you when it's coming back up, but we will always protect the health and safety of our workers.

ANDREW WONG:

Okay, thanks.

TIM GITZEL:

Thank you very much.

OPERATOR:

Our next question comes from Orest Wowkodaw of Scotiabank. Please go ahead.

OREST WOWKODAW:

Hi, good morning. You mentioned earlier that your pipeline in terms of discussions with utilities on re-contracting are at the highest levels still since—I guess since Fukushima. Can you give us a bit of colour on why we're not seeing more contracts added to the portfolio? Is it still a bid/ask spread that's too wide, or can you give us some colour on what the issue is, in terms of why we're just not seeing that kind of contracting starting yet?

TIM GITZEL:

Yes, thanks, Orest, for the question. I'll start, and then I'm going to pass it over to Grant—and maybe, Grant, you can touch on that, and give a little colour on the market while you're at it.

But, 2020, I mean, for all of us, everyone, all of you that we know are on the call, it wasn't a normal year. In 2020, it was COVID. We started battling COVID in March, and went through the whole year. I mean, it was the same for our operations and it was the same for our customers and the utilities, focused on COVID, focused on keeping their plants going, keeping their people safe. Long-term contracting and signing big multi-year deals probably wasn't at the top of their priority list, I would say, and we know that, because we talk to them, we talked to them right



through it, and the last thing the fuel buyer was going to do was go to his CNO, Chief Nuclear Officer, and say, “Well, we should really focus on a long-term contract with Cameco,” while they’re trying to keep their plant open and their people safe. That, I think, weighed in.

I can tell you, I just talked to a couple of our customers earlier this week, big ones, from other countries, and the discussions are still on, and we are still holding to our we’ve got a good pipeline full of contracts that we’re working on with our customers, so I’d just say be a bit patient. We’re being a bit patient on that.

Grant, sorry, I’ll stop there. But, I asked Grant just before the call if he’d give a bit of an update on the market, so if you don’t mind us intervening a little bit, I thought people would want to hear from our resident expert on what we’re seeing in the market. Grant, do you want to just give a few words on that?

GRANT ISAAC:

Yes, happy to do that. With respect to the specific question, Orest, and then I’ll step out a little more broadly, but with respect to the question on the uranium side of our marketing efforts, certainly 2020 did not achieve the replacement rate contracting we saw in 2019, and I think the reason that Tim identified is the primary reason. As we worked with our customers and talked about their future demand, we just discovered that in a COVID world many of them are saying, “Look, I’ve got to focus on do I have the fuel bundle ready for the reactor and then I’ve got to focus on the in-process material I have at the fabricator to make sure there’s another fuel bundle coming, and then maybe some time with the enrichers, maybe some time with the convertors,” and we just saw the uranium piece get paused, if you will.

But, here’s the good news. It’s not demand that’s disappeared. It’s demand that’s just been delayed, it’s just been deferred, it’s now pushed out, and we’re seeing more uranium demand in a tighter future window, and so that’s how the uncovered requirements curve grows as a result of that. But, I would have to just distinguish between uranium and our experience in conversion this year. In conversion, we had a contracting rate well above replacement rate—in fact, a historical amount of contracting volumes. What it tells you is that utilities are figuring it out. We see contracting is picking up in enrichment. We’ve seen it already pick up and a full transition



occur in conversion. We are seeing this delay in uranium, for sure, there's no doubt about it, but, as I say, the good news is none of this has dropped out of our pipeline. It's just re-double our efforts and continue to negotiate with our customers off-market.

We've been making a big deal about this kind of off-market versus on-market distinction for a while, and it is important to say that that continues as we start into 2021. We are seeing our pipeline, our exclusive bilateral negotiations with customers continues to be robust, and a lot of volumes under discussion, but we continue to see the on-market stuff. The competitive RFPs, where a customer comes out and is asking for competitive bids from a variety of suppliers, that's continuing to underperform. That is not hitting the levels where it needs to be, when you look at the uncovered requirements going forward. I think COVID has something to do with it. Term volumes in 2020 were only 53 million pounds of uranium contracted. That's a tiny amount, down from nearly 100 million pounds the year before. In fact, we haven't seen levels this low since immediately after Fukushima.

So, clearly, there are some delays there. There's going to be some pent-up demand to come into the market. We just haven't quite seen that trigger yet. A lot of times, we sort of explain that by what's going on in the spot, because, remember, the spot market has taken on a new role in the last decade, since Fukushima.

Just a bit of a look back. Our market was always one where the term price was really the production economic price required for future production and the spot price was simply the discount for material available today that had no operating risk attached to it, because it didn't have to be produced, it was already produced, and of course we went through a period of demand collapsing after Fukushima, where uncommitted primary production, in particular, was coming into the spot market. It didn't have a term home. Producers weren't leaving it in the ground, like they should have, and they were trying to find a home for it and it was going through the spot market, and enough material went through the spot market and it ended up sort of breaking the pricing dynamic. Term just became the forward-carry trade price on the spot market. Right now, that hasn't completely corrected.



If you look at the spot market through 2020, it started kind of in the— it was in the lows of the 23s, it got into the 33s after some of the COVID shutdowns, and then it's kind of fallen back to the 30-ish level with a little bit of downward pressure, and it still is uncommitted primary production.

There still are producers out there that have material that doesn't have a home and they put it in the market, and then once in the market, it gets in the hands of, say, the intermediaries or the traders, who then take that 100,000 pounds and then turn it three or four times, creating the illusion there's 400,000 or 500,000 pounds in the market, which simply isn't the case. I would say this has been having the effect of creating a little bit of complacency for some of the fuel buyers, who just don't think it's time to worry yet, because they see the volumes, or what appear to be the volumes going through the spot market.

But, here's the good news about the spot market situation. This isn't sustainable, obviously. Tim talked about how many pounds have been left in the ground because of the planned and unplanned supply discipline, plus the amount of purchasing producers have done to put into a committed sales portfolio, so, really, that available material to just turn around the market is getting picked away. As term market demand picks up, primary production will find term contract homes and it won't be forced through the spot market. Some of the expected future production that you might have expected in the spot market is going away. COMINAK and Ranger were good examples, Olympic Dam expansion.

Then, ultimately, we have that intermediary group. They're not backed up by productive capacity. So, if these sources start to dry up, so does the churn, and, ultimately, the market will transition back to the term price reflecting the production economics required to meet that uncovered wedge, relative to where demand is going.

Orest, a way longer answer than you wanted, but I just kind of wanted to set our activity on the uranium and conversion side in the context of what we're seeing on the broader market on term and spot.



OREST WOWKODAW:

Thanks, Grant, appreciate the colour, and just as a follow-up separately, can you give us some colour on the CapEx guidance for '21? It looks like it's up significantly from what we've seen in the last couple of years. What's driving that?

GRANT ISAAC:

Yes, Orest, a couple of investments that we just think are really prudent right now. Tim talked a little bit about the work we're doing at McArthur and Key, the best mine/mill complex on the planet sitting idle right now, and we just made the determination that now is the time, while we have the qualified workers there and they're not running the facility, to embrace as many of the automation, optimization, digitization opportunities that we possibly can, so when these extraordinary assets come back, they come back even better than they were in 2017, when we brought them down. So, that's a big investment. It's countercyclical, but now, it just is the right time to do it.

We have some other investments in our Fuel Services group, our Vision in Motion project, which is kind of a clean-up modernization project going on in that group, which, again, makes sense right now. Especially with the robustness of the conversion market and the forward-look of the conversion business, because of how much contracting we've been able to do and how much we think we're going to do, it makes sense to go on that modernization effort, as well. Then, of course, once Cigar Lake does restart, there'll be some underground development that will have to begin again, which shows up as a CapEx number.

So, some countercyclical investments, plus the normal investments that we would make once Cigar Lake is back up and running.

RACHELLE GIRARD:

I would just add, too, Orest, some of that is deferred CapEx from 2020, as well.

OREST WOWKODAW:

Okay, thank you very much.



TIM GITZEL:

Thanks, Orest.

OPERATOR:

Our next question comes from Gordon Lawson of Paradigm Capital. Please go ahead.

GORDON LAWSON:

Oh, hello. Uranium inventories in China have been increasing steadily over the past several years. It's now estimated to be around 0.5 billion pounds. Could you comment on what this means for the spot market availability and utility term contract pressure?

TIM GITZEL:

Yes, thanks, Gordon, it's a good question, and we've been watching that really closely. They have been building their inventory. They started, actually, 10 years ago, or so, with us. I think it was June of 2010, when they came to the market, which really kicked the market into gear, and they bought 150 million pounds in one month—they bought 152. They bought 52 million from us, 50 million from AREVA at the time, and 50 million from the Kazakhs, to build an inventory, because they play the long game. They said in their 13th five-year plan that they'd have 58 reactors going by now. Well, they only have 50, but they have 12 under construction, they continue to build. They consume 25 million pounds a year now, but going very quickly to 50 and above, and just to keep whatever their inventory policy is, three-, four-, five-year inventory, you need to keep adding.

The number seems big at the moment, but it's not something—I assure you they're keeping it for themselves, they're keeping it for their plans going forward. We haven't seen it come back onto the market. They have a strategy, buy uranium, produce some. They pretty much own Namibia now, and so they're producing some pounds out of Namibia, and they produce some domestically, which they have very little of and they use for other reasons.

Grant, I don't know if you have anything add on the Chinese inventory, but it's not something we're concerned about.



GRANT ISAAC:

Yes, not necessarily, because of the strategic view of it, and then if you look at the Chinese fleet going forward, that inventory number actually is quite small, relative to where they could be. Tim referenced earlier the 2060 net-zero target requiring essentially 200 nuclear reactors. That's a rule of thumb. One hundred million pounds of uranium consumption in one year, if they achieve that number, and now you're talking about kind of a four- to five-year inventory, which wouldn't be unusual if they had that size of a fleet, so we see that it really is tied up in a strategic objective there.

When we look ahead into the middle of the decade, those original contracts that Tim talked about roll off kind of in that 2024/2025 window, and in that window, I think you're going to have a nation, a Chinese nation that's going to be consuming, probably, somewhere close to 50 million pounds of uranium a year, and once those fall off, there'll be some Namibian supply, probably 15 million pounds a year, there'll be some Kazakh supply, probably 20 million pounds a year, but you've got 25 million to 30 million pounds that will be uncovered in that year alone, and then growing after that.

So, when you say what does it mean for term contracting, I think there are those in the market probably reflected in our off-market term contracting that are keeping an eye on this dynamic, and remembering what happened last time. China stepped into the market as a big new entrant and signed big forward commitments and tied up a lot of future production themselves. It forced other utilities into the market, and they kind of all came through the door at the same time. So, I think the off-market activity is the utilities saying, "I don't want to be behind that this time. I better start planning my procurement in advance." So, it does take on a role here.

What's interesting about today's outlook is it's not just China. Along the way, India has made a very significant commitment to their nuclear, both their heavy water reactor program, plus a light water reactor program, with other vendors. So, it's not just China is the big, new entrant coming into the space and looking for material, you've got to keep an eye on India, as well. I think that's shaping up the dynamic a little bit here, too, and convincing us that remaining strategically patient is the right thing to do at the moment.



GORDON LAWSON:

Okay, thank you very much.

TIM GITZEL:

Thanks, Gordon.

OPERATOR:

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

GREG BARNES:

Thank you. Good morning, Grant and Tim. Just your commentary in the MD&A about you're anticipating that contracting in 2021 to remain largely discretionary, do you mean on the market discussions or off-market discussions, and is that anticipating that contracting will remain slow in 2021 again just because of the COVID restrictions, or is there something else feeding into that commentary?

GRANT ISAAC:

Yes, thanks for that question, Greg. Obviously, we weren't clear about that. What we mean is that we are not expecting a big rush of on-market RFPs, that we've seen triggered by supply shocks in the past, for example. That is not to say we don't expect our pipeline discussions to continue. We do expect them to continue, we do expect them to be quite robust, but we're just saying that on-market piece, where you see an RFP once every couple of weeks and more focused on kind of the near term, that's the part that our expectation, at least for the first half of the year, is we're not going to see a big push on those.

Now, of course, that comment is absent of a further unplanned supply disruption, for example, or a demand shock, somebody steps into the market in a big way, whether it be India or whether it be China, that's just not anticipated at the moment. That could change the game completely. But, as it stands right now, we're really talking about the on-market piece, not our pipeline.



GREG BARNES:

Okay, and just a more fundamental question. In the guidance, you say sales for this year are going to be 23 million to 25 million pounds, the range. When I try and read off the charts on Page 37 in the MD&A, it looks more like 27 million pounds. I'm just trying to rationalize or get to the bottom of what the difference is.

GRANT ISAAC:

Yes, Greg, I think you're catching an error. Twenty-three million to 25 million is the guidance.

GREG BARNES:

Okay. Okay, that's fine. Thank you.

GRANT ISAAC:

Thank you for reading it so closely.

OPERATOR:

Our next question comes from Alex Pearce of BMO. Please go ahead.

ALEX PEARCE:

Great. Morning all. Grant, you've touched on the conversion market a moment ago. I just wondered whether maybe you could provide an update on how you think the recently announced restart of Metropolis has impacted your outlook there, and, really, does it have any impact on the wider uranium chain?

GRANT ISAAC:

Oh, good questions. I'm not sure that the decision to restart the ConverDyn Metropolis facility was a huge surprise. In fact, as you know, there had been talk going around about them successfully landing some contingent contracts with utilities, contingent upon a restart, and of course the restart plan is out to 2023, and quite a bit of capital that is required to go in, so bit of a road there still to go down before that's productive capacity, but I think they've probably



committed a bunch of it already. That was likely a condition on having Honeywell agree to a restart. For us, anybody looking for spot material over the next two years, they're going to still be tight, because that's not going to be source of it, for example, and then I think conversion will remain a bit of a focus for utilities. I think there's still some opportunities for additional term contracting.

Now, what that means for uranium, for example, it's a bit of an open question. I've heard one particular perspective to say, "Well, now that there's a little more certainty about where conversion production is going to be in the future, maybe don't have to worry about that as much as a utility, and now attention can shift to uranium," and so we might see, actually, more focus on uranium as a result and less focus on conversion going forward. I think it's too early to make that call, but I thought it was an interesting perspective, that, really, the push in the last couple years in the conversion space was really a concern about where capacity was at. Well, that concern has got to find its way into the uranium space at some point, so we'll be watching that closely.

ALEX PEARCE:

Great, thank you.

TIM GITZEL:

Thanks, Alex.

OPERATOR:

Our next question comes from Ralph Profiti of Eight Capital. Please go ahead.

RALPH PROFITI:

Hi, everyone, good morning. Two questions for me, please. The first one is, Tim, you talked about supply and demand and I'm just wondering—the role of hedge funds seems to have played less of a role in 2020, would you agree with that statement, and in this sort of positive and rising nuclear sentiment under Biden, do you think sort of the financial players will likely be more buying-related or more sort of liquidation-related, in terms of their strategy for, say, the next one to two years?



TIM GITZEL:

Yes, those are good questions. I think, on the first one, hedge funds have played less of a role. Under Biden, I'm not sure what will happen. I think it's a little bit early yet. We're hearing a lot of good language out of there. We want to see some action and what they're going to do, and one of the first test, I think is going to be—there's four units that are scheduled to go down this year in the U.S. I think Exelon's got two of them and there's another company in Ohio that's got another two units that could go down. I mean, that would be the biggest mistake the U.S. could make if they're on any path to get to zero fossil fuel in the electricity sector. So, we'll watch those. I don't know, Grant, do you have a thought on the financial sector and how they'll ...

GRANT ISAAC:

Yes, and I might just make the distinction that the role of funds in the uranium space, some financial players, some special-purpose vehicles—you're right, Ralph, 2020 was a rather quiet year, with a bias towards the negative, not the positive, and what I mean there, of course, is that two of the funds either sold or loaned material throughout 2020, and that was a negative because you saw the uranium price respond from the unplanned supply disruptions, as I talked about earlier, kind of going from the 23s to the 33s, and then suddenly funds were willing to part with material or loan it.

It sent the signal that, oh, well, that's all they need for a return, and so it fed into the narrative that, "Well, the funds are holding material that's going to be available for me as fuel buyer some day, and this is just proof of it." Obviously, we're going to watch that space carefully. Hopefully, the funds find the resolve that brought them into the nuclear space in the first place and we see much more of a committed hold, as opposed to a sell and loan, because that material is just going to end up in the hands of traders, which this is going to turn the market, which is then probably going to have a price off, which is then going to hurt their NAV, and you sort of say, "Well, did you not see this effect coming?"

Going forward, though, the fundamentals, the way they shape up, these are the types of times when we do see interest in physical uranium, so 2020 could look much different—2021 could look much different than 2020, from a fund point of view.



RALPH PROFITI:

Okay, yes. Tim, you talked about your contracting discussions and sort of that patience is needed. In these discussions, is there a congruency and a like-mindedness with respect to how far out these contracts will go and on, say, the pricing terms and flexibility terms, or is there something more structurally at odds with the nature of the contract discussions.

TIM GITZEL:

Yes, Ralph, you know, these off-market discussions we have, as Grant's mentioned many times, they're not the quick hitters for a small amount of uranium. They're big, chunky, long-term contracts with big utilities or countries that have a big fleet and don't fool around, to be honest with you, with uranium, and are not going to rely on the spot market and hope every year they can pick up enough material on the spot market to cover their—I mean, Bruce Power is the example we always use, a deal we signed a couple of years ago. They've got eight units there, they're refurbishing them, they're going to run them into the 2040s, 2050s, signed a 10-year deal with them to 2030, because they just didn't want any uncertainty on where their uranium was coming from.

They like our ESG metrics, they like the fact that we've never missed a delivery in the history of the Company, the certainty that that brings, and they just said, "We don't know what the uranium market is going to be in 2022, '23, '24 or '25, and especially as you get every year farther out more uncertainty, and they just said, "We're not playing that game," and so we were able to negotiate a great deal with them that gives us upside, but covers the downside, and that's what we really look for. That's not incongruent with what our customers are looking for. I'd say, if they could, they'd look for more fixed pricing today, love to lock in today's prices out into the rest of the decade. We're looking at more market-related, because we think the price only has to go higher from here.

So, it's those type of discussions that we're having, Ralph. I mean, obviously, there's back and forth on everything, but they need uranium, we have it, we have the certainty they want, and I think they want, and perhaps need, to have Cameco in their portfolio, and it's the same for us.

RALPH PROFITI:

Thank you.



TIM GITZEL:

Thanks, Ralph.

OPERATOR:

Our next question comes from Lawson Winder of Bank of America Securities. Please go ahead.

LAWSON WINDER:

Hi, yes, great, thanks, Operator. Hi, everyone, good morning. First, maybe on the contracts, first of all, for what years do both the 17 million pounds in conversion and the 12.5 million pounds in

uranium contracts cover, how far out are we looking and what sort of range of years? Then, secondly, back to something you've spoken to in the past, to what extent has the 12.5 million pounds of uranium contracting been the result of leveraging those conversion contracts?

TIM GITZEL:

Yes, Lawson, I'm going to pass that over to Grant, but I'll just say we read with great interest your report on the U.S. market, just talking about those units at Excelon and Energy Harbor has and what that might lead to the market going forward. I found it very, very interesting.

Grant, sorry, I'll pass it to you.

GRANT ISAAC:

Yes, thank you. The uncovered requirements wedge kind of provides a bit of guidance on where the interest is. With both the conversion service, as well as the uranium—and it goes for the uranium from 2019, as well—we're sort of looking in that kind of 2023, 2024 to the end of the decade window. That is where we're placing the most amount of our business, more heavily weighted to the middle of the decade. Usually, a price transition in the market or a stronger price transition pushes the tenure out, you can lock in for longer periods of time. But, that's the window that we're looking at right now, so not completely inconsistent with what we're seeing with some of the competitive on-market RFPs. It's just those are largely going on the uranium side on a fixed or base escalated basis, and that's not attractive to us. So, that's the window we're looking for, where the uncovered requirements really do drive the business our way.



LAWSON WINDER:

And then the second part of my question was just to what extent were you able to leverage the contracting in the conversion space in order to add the uranium contracts.

GRANT ISAAC:

Yes, certainly that helps, there's no doubt about it. When there's essentially no commercial conversion available, you end up with a little bit of bargaining power in the market. But, remember that in our industry, it's not uncommon to kind of see utilities working their way backwards through the chain. We've got enrichment contracting that seems to be picking up, and conversion contracting has already hit replacement rate—in fact, above—and it's almost as though once you've lined up your conversion service and your enrichment service, you now have homes for your uranium when you go and you contract for it, so we're seeing a bit of that, too. That's the argument that I mentioned a bit earlier to another question, that says, "Okay, well, now, if ConverDyn's coming back up and you're not concerned as much about conversion capacity out into the future, maybe you can take that final step and start finding the uranium and then have the homes to plug into."

So, certainly some leverage for us, obviously, and whenever we have it, we take it, but we just have not seen that replacement rate in uranium contracting yet and that erodes a little bit of our leverage, of course, on the uranium side.

LAWSON WINDER:

Yes, and so my second question, I just wanted to ask about the Silex deal. First of all, what are sort of the ongoing expenses associated with that, and then where do you see that business going, specifically, in terms of timeline? Thanks.

TIM GITZEL:

Yes, well, we're pretty excited about our GLE project. We just picked up, as you will have seen, in January an additional share. We're partners with Silex now. We really think it's got potential. That technology has been studied now for decades. Remember, 20 years ago, there were different countries and companies working on that, but we've been able to move it along and it's at a good spot.



Look, we're going to pace it along with the market, obviously. It's not a big expense for us at the moment. We'll pick it up as we see the market start to evolve. But, the potential for us, we think is enormous. The big driver, of course, is those DOE tails that we have access to through our agreement with the DOE to re-enrich depleted tails in the U.S. That's a big deal. As I say, the market doesn't need it now, but that could be the next uranium mine. We'll see how that goes.

With all the talk about SMRs—you'll know, of course, that SMRs use a special type of fuel called HALEU, or high-assay low-enriched uranium. This GLE technology, the enrichment technology, could make that. Combined with our Fuel Services facilities and knowledge and technology, we could play in that game, and then just making simple LEU for PWRs is another possibility. So, lots of possibilities there. We've been in the game now for over 10 years, I think we've been involved, watching the technology grow and develop and advance, so we're pretty excited about it. Maybe not for tomorrow morning, it's not a quick move, but in our industry nothing moves particularly quick, but we think we're well positioned and we're happy to be in GLE.

LAWSON WINDER:

Excellent, thank you.

TIM GITZEL:

Thank you.

OPERATOR:

Our next question comes from Philip Chaffee of Energy Intelligence. Please go ahead.

PHILIP CHAFFEE:

Hi, and thanks for taking my question. I just had a really quick question, if you have any reaction to the announcement yesterday from Honeywell about restarting the Metropolis UF6 plants in the next two years, and what sort of impact you envision from this on both UF6 conversion and U308 markets. Thanks.

TIM GITZEL:

Thanks, Phil. I'd say we weren't surprised by it. I mean, there's been rumours of it for many years. I think they've been down for about six years. I saw a presentation that one of their



people made about two weeks ago that was strongly hinting toward that. I think the slide I saw said that production could be in 2023, so a couple of years from now, and I think they had \$100 million plus US of capital to put into it to get things rolling. So, yes, we certainly wish them well with that. Grant spoke a little bit about what he thought the effects could be on the market. There's certainly not much in the near term, but over time, you know. With the conversion price moving the way it did, it didn't surprise us. I think they've wrapped up a few contracts. I think their restart was contingent on having some business, and they have that, Phil. So, yes, we look forward to having them back in the conversion business.

PHILIP CHAFFEE:

Thanks so much.

TIM GITZEL:

Thank you.

OPERATOR:

Our next question comes from Gordon Johnson of GLJ Research. Please go ahead.

GORDON JOHNSON:

Hey, guys. Thanks for letting me ask the question—I guess two questions I have. Number one, have you guys started to hear from the ESG investors of the world? Have they started to poke around about the prospects of nuclear and, I guess, seeing nuclear as a more renewable-based energy source?

TIM GITZEL:

Gordon, we start almost every meeting with every investor or analyst that we talk to with ESG. I haven't seen anything come with such a tidal wave like we've seen with ESG, and it's here for the long run, it's here to stay, and I can tell you we're only too happy to talk about it, because we think it's a real competitive advantage for us.

As I said a little earlier, as I said in my comments, sustainability has always been at the heart of our business. Our vision is to energize a clean-air world. So, on the E part, our product does not produce any CO₂. We always use the Ontario example, which is closest to home, that our



uranium avoids about 5 million tonnes per year of CO₂ going up into the air. We think that's a real advantage, but it's not only that. We don't take the S and the G lightly, either.

On the social side, we have been a leader for 40 years on hiring indigenous people at our operations. Our northern operations, 50% of our employees are indigenous people from Northern Saskatchewan. A huge majority of our spending in the north goes to these northern contractors, which are indigenous-owned. We've got people policies. You hear me, and you'll hear all of us here, talk about then health and safety of our employees being top shelf.

Finally, on the governance side, I'd say we stack up very well. We just came out of a Board meeting this week. The Chair of our Governance Committee is Anne McLellan, former Deputy Prime Minister of Canada, and I can tell you—you might have seen her comments in the *Globe & Mail* this weekend, but she is driving Cameco forward on governance matters, and so we're very proud of record there.

So, we think we stack up well, and you hit the nail on the head, that is the topic now that we talk about and every meeting has an ESG expert in the audience that we go to.

GORDON JOHNSON:

Okay, that's very helpful. Then, separately, I mean, you guys are probably aware of this—clearly, you're aware of this, but there's kind of this dark cloud around nuclear and fears. Have you guys talked to governments, government officials, local, global, etc., about the prospects of nuclear? I say that because there was a report out on Germany today that there's some issues associated with the snowfall and the solar panels not producing the power they need and then having to import in energy from natural gas and nuclear, and that pushing up the cost of energy. But, it seems like this isn't widely known, this dynamic. Do you guys believe that government officials are increasingly starting to think about this dynamic with respect to nuclear, have you heard about that? Any comments there would be helpful.

TIM GITZEL:

Yes, absolutely. We sit on the World Nuclear Association Board of Directors, we sit on the NEI, the CNA, all of the—and very clearly, governments are recognizing today the role that nuclear will play. I mimic, or I repeat the words of our own Energy Minister, Seamus O'Regan, who said



there is no path to carbon neutrality in Canada, or anywhere else, that doesn't drive by a nuclear plant. Like, we're not going to get there without nuclear.

People apparently don't like oil and gas anymore, fossil fuel, so you can put that out. That's like 60-some percent of the—80%, I think, in the world, but 66% in North America, of the energy that comes forth. You've got to replace that with something. Hydro? Try damming up a river these days, see how that works out for you. I mean, that is fraught with controversy. Wind, there's some physics realities that you have to deal with on wind, it's 45% efficient. The physics reality on solar, 26%. The Japanese, ask them how they made out this winter when temperatures went down and the windmills weren't turning and the solar panels had snowpack. I mean, they had to import LNG at \$20 or \$30 an MMBTU.

So, yes, you've got to look at everything, you've got to look at all your options, and we're getting a lot more notice from governments. We talk to them all the time, either directly through Cameco or through those agencies, and they're getting warmed up on the nuclear file.

Grant, do you have ...

GRANT ISAAC:

Yes, I just want to add, Gordon, this is an absolutely important topic and one that we need to emphasize, because when we get asked what's different this time when we look at nuclear going forward, what's different this time is exactly what you're talking about. It's that there's a greater sense of the accountability of where the electrons are coming from these days. Tim talked at the outset, it's no longer just the countries that have net-zero targets and that are going to be held accountable for whether they achieve them or not. It's this company involvement, too, big companies having net-zero targets, that used to just be energy takers. They used to be just to be able to take whatever the energy was that was coming down the line. Now, they're being driven to be accountable for where that power is coming from. So, it's that very important voice being added to it, that we think makes the demand dynamic different this time.

So, yes, we're involved in the traditional conversations with those who look at nuclear and maybe have a little more fiction than fact built into their nuclear perspective, but it's also working on the company side, as well, and saying, "When you're buying clean carbon credits and yet the



sun is shining for a couple of hours or the wind is blowing for a couple of hours and it's a 24-hour clean credit, it's probably being backed up by fossil fuels, not emissions-free power, so you should really think about where those electrons are coming from." So, you'll see us do more and more in this area, even though it's kind of not part of our business, we're not a power producer, but we have to be an important voice there and have to join the voices of others, like the environmentalists, like Michael Shellenberger, for example, who are making this point loudly and frequently. But, you're absolutely right, it is a different dynamic shaping up on the demand side this time.

GORDON JOHNSON:

Okay, and then one last one for me, if I can. The Chinese contracts—maybe you guys have answered this, I didn't catch it, but those contracts are pretty long in the tooth. Typically, those contracts are 10 to 15 years, I think. They were signed up, roughly, 10 years ago, with some expectations that they were going to be renewed this year, some expectations they were going to be renewed last year. Do you guys have any insights with respect to when the Chinese nuclear players may look to renew those contracts? Thanks for the questions, guys. Congrats on the quarter.

TIM GITZEL:

Yes, thank you. Grant?

GRANT ISAAC:

Yes, we talked about this a little bit earlier, but I'll go through it again. Those initial contracts were obviously quite out in front of what the requirements were in China, so they contributed to the strategic inventory build that we saw happen. Earlier, we wanted to set that strategic inventory build in the context of where we think that Chinese fleet is going, and when you look out over the longer term, with their country net-zero targets, it ends up being quite a modest strategic reserve, if you will.

So, then, it raises the question, you know, what do they do when 2025 comes around and those initial contracts have rolled off. Well, they're going to have some foreign sources of uranium. Tim talked earlier about Namibian production all being in the hands of the Chinese right now, and that goes back to China. They'll probably develop some assets in Kazakhstan, just recent



announcements about involvement there. That might give line of sight to about 20 million pounds of foreign production coming into China, but it's going to be against 45 million to 50 million pounds of consumption in that one year alone, 2025, and then growing every year after that.

The term dynamic that we're watching, and others are watching, is, with some of these big players, with big programs and big buying needs, when they're going to step into the market. You'll have those utilities who would just be happy to follow, but you'll have those utilities that want to be in front of that, because you'll remember that the Chinese triggered a bit of a price run the last time they stepped into the market. So, it is an important thing.

Our sense right now is, probably, that 2021 could be a constructive year for conversations about renewing those contracts. That's not to suggest they'll be completed, but we think, when you kind of back up from 2025 to today, we're within that window of when you would normally see contracting for big volumes like that.

GORDON JOHNSON:

Thanks again, guys.

TIM GITZEL:

Thank you.

OPERATOR:

Our next question is a follow-up from Orest Wowkodaw of Scotiabank. Please go ahead.

TIM GITZEL:

Hi, Orest. Are you on mute, Orest?

OREST WOWKODAW:

Sorry about that. Yes, I was on mute. Thanks for taking the follow-up. In your MD&A, it speaks to the issue that there is risk to your Cigar Lake production in 2022, based on the current suspension and delays and deferrals. Can you give us a sense of—with Cigar Lake temporarily suspended now, at what point does that start to trigger some of that reduced production in '22?



Like, if it stays down to mid-year, will that have an impact for next year, or does it need to stay down longer than that? I'm just trying to get a sense of when do we have to start worrying about '22.

TIM GITZEL:

Yes, that's a good question, Orest, and I guess it'll depend on how long we're down, and it'll also depend on whether we can come back kind of in stages up there. Maybe you can't go back to full production right away, but you could bring a crew up to work on some development to prepare the mine for when you can bring the whole crew up and start jetting again and doing all that. So, lots of question marks there. Right now, we're pretty much down, it's the care and maintenance crew looking after the place. We'll watch. I don't think it's an all-or-nothing. We're just going to restart and two weeks or a month later, we start—I think you'll see more of a phased approach, as we can do, as I say, some development work underground in the mine and just prepare it, so when we do bring the whole team back, our ramp-up will be smooth.

Not a real specific answer for you, Orest, but that's the best we have today.

OREST WOWKODAW:

Okay, and maybe I could ask it another way then. Have we already reached the point where you would anticipate that Cigar Lake will produce below nameplate next year, or is it too early ...

TIM GITZEL:

I can't say that, Orest. I wouldn't say that. No, I can't say that yet. We want Cigar Lake to run. We have it on the books. We need those pounds to put into our portfolio and we want it to run. Every day, we come in and we weigh the likelihood we can restart, the risks around restart, the risks around having enough qualified workers to run all the circuits. As I said, we don't want to yo-yo the thing back. So, we'll make sure we're in good shape and we have good certainty and clarity when we bring it up, but it's too early to say that there will be an effect in 2022.

OREST WOWKODAW:

Okay, thank you, and then just separately, can you give us your latest timing expectation for when we could hear whether the Supreme Court will hear the appeal on the CRA case?



TIM GITZEL:

Yes, absolutely. We know there's a trio, I think, of judges looking at it now, and so we're hoping to hear sometime here in the first quarter as to whether they'll give leave to appeal, but that's about the best information we have now, and so another piece we get up and watch for every day, and as I say, the first quarter is still our best estimate.

OREST WOWKODAW:

Great, thank you.

TIM GITZEL:

Yes, thank you.

OPERATOR:

This concludes the question-and-answer session. I would like to turn the conference back over to Tim Gitzel for any closing remarks.

TIM GITZEL:

Yes, thanks very much, Operator, and with that, I just want to say thanks to everybody that stuck with us today on the call. We certainly, as always, appreciate your interest and support.

I'd just say that as we head into 2021, we're excited. As I said earlier, we're excited about the future, we're excited about nuclear power generation going forward, and we're excited about the fundamentals of uranium supply and demand, and the role our Company is going to play.

We always end by saying we're a responsible commercial supplier with a strong balance sheet, long-lived Tier 1 assets, and a proven operating track record. We're going to continue what to do what we said we'll do. We'll execute on our strategy, we think 2021 is going to be a good year for us, and we will always, always put the health and safety of our workers, their families and their communities at the top of our list.

So, with that, I'd just say thanks, everybody, stay safe and healthy, and have a great day. Thank you.



OPERATOR:

This concludes today's conference call, you may disconnect your lines. Thank you for participating and have a pleasant day.