



Cameco Corporation

Third Quarter 2021 Results Conference Call Transcript

Date: October 29th, 2021

Time: 8:00 AM ET

Presenter: **Tim Gitzel**
Chief Executive Officer

Grant Isaac
Senior Vice President and Chief Financial Officer

Sean Quinn
Senior Vice President, Chief Legal Officer and Corporate
Secretary

Rachelle Girard
Vice President, Investor Relations, Treasury and Tax



OPERATOR:

Welcome to the Cameco Corporation Third Quarter 2021 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 * then 1 on your telephone keypad. Should you need assistance during the conference call you may signal an operator by pressing * and 0.

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



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, production and our ability to meet delivery commitments; the outcome of litigation or other disputes; our future plans, strategies and outlook; our objectives regarding contributing to a net-zero carbon emission target and other environmental, social and governance goals. 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, prices or availability of secondary supply, spot and long-term contract prices, currency exchange rates, or government regulations or policies; the risk of litigation or arbitration claims against us that have an adverse outcome, including tax disputes; the risk that our contract counterparties may not satisfy their commitments; we may face disruptions to our operations, workforce, required supplies or services as a result of social, economic or health developments, including the COVID-19 pandemic; we may face unexpected challenges in addressing environmental, social and governance risks and opportunities; the risk that our strategies may be 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, including tax disputes; our ability to successfully manage operational and other impact of any disruption resulting from social, economic or health developments, including the COVID-19 pandemic; our ability to address ESG risks and opportunities successfully; 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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RACHELLE GIRARD:

Thank you, Operator, and good morning, everyone. Welcome to Cameco's Third Quarter Conference Call.

I would like to acknowledge that we are on Treaty Six territory and the homeland of the Métis.

Today's call will focus on the trends we are seeing in the market and on our strategy. 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 be happy to follow up with 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 ask-a-question form at the bottom of the webcast screen, 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 VP and CFO, Brian Reilly, Senior VP and Chief Operating Officer, Alice Wong, Senior VP and Chief Corporate Officer, and Sean Quinn, Senior VP, Chief Legal Officer and Corporate Secretary.



I'm going to hand it over to Tim to talk about the long-term fundamentals for our industry, the current market dynamics, 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 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:

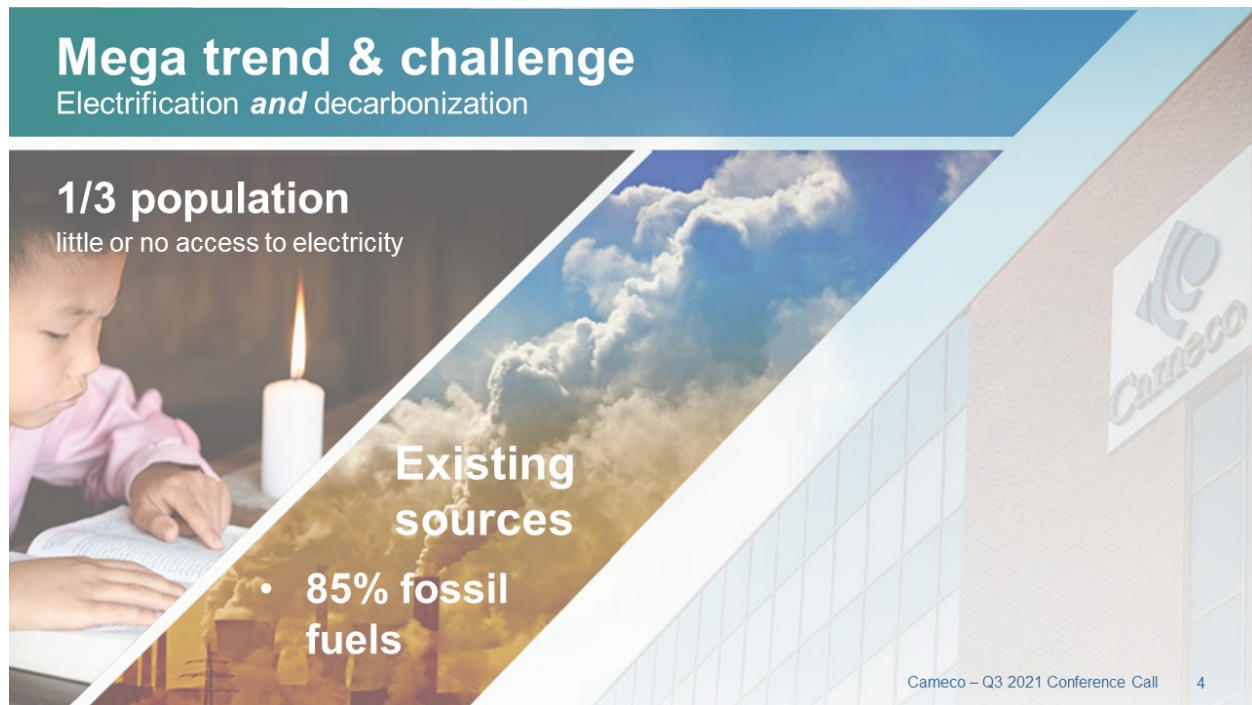
Well, thank you, Rachelle, and welcome to everyone on the call today. We appreciate you taking the time to join us. I hope you and your families are doing well.



I want to start today's call with the observation that we are living in interesting and exciting times in the nuclear business. That's pretty obvious, right? Also, observe that Cameco's uniquely position, thanks to our strategy, to capitalize on the increasingly undeniable conclusion that nuclear power must be an essential part of the clean energy transition.

All this, motivated by the fundamentals, our strategy of operational flexibility, market alignment and financial discipline, has had a significant impact on the positive market dynamics that have attracted so much investor interest of late. I can tell you our commitment is unwavering and our resolve remains strong. We will continue to execute on our strategy and capture the value of the clean energy transition.

But, first, let's look at those fundamentals which motivate our strategy.



I would say that the fundamentals of our business are as positive as we've seen them in over a decade, and maybe ever. I say "ever" because there appears to be a durability that I don't think we've seen before.

One of the big drivers for growth in demand for nuclear power today is its link to the electrification and decarbonization, and the commitments being made by countries and companies to net-zero carbon targets. In the past, we have always been reliant on governments and public policy to take the lead.

While that aspect remains important, there are now more than 1,800 companies who have made net-zero commitments and will, therefore, play a critical role in helping to shape what energy policy will look like.

These clean air and climate change commitments, in particular, by companies, are creating accountability. Companies will need an energy source that can provide safe, clean, reliable and affordable electricity 24 hours a day, seven days a week, 365 days of the year. This accountability is what we expect will create that durability of demand for nuclear power.



In addition, the important role for nuclear in the clean energy transition is being amplified by concerns about energy security, as a result of the current energy crisis in many parts of the world and spiking energy costs. In the past, these types of energy crises have triggered the build-out of some of the largest nuclear fleets in the world, in places like the United States, France and Japan.

In a world where 85% of our electricity still comes from fossil fuel sources, and with COP 26 just around the corner, it is time for climate realists to step forward and acknowledge that there's no clear pathway to sustainably achieve both electrification and decarbonization while maintaining a secure, affordable and stable electricity grid without having nuclear in the toolbox.

Just recently, French President Emmanuel Macron pledged he would invest €1 billion in small modular reactors, crediting nuclear power for insulating France from the current impact of rocketing energy costs and shortages of natural gas. In fact, France's grid operator says that the most cost-effective way for the country to meet its carbon-neutral goals by 2050 is to build 14 new large-scale nuclear reactors, in addition to building SMRs, and extending the lives of the existing fleet.

Excitement for the future
Durable demand

- Long term**
 - New reactor builds
 - Non-traditional opportunities:
 - SMRs and advanced reactors
- Medium term**
 - Reactor life extensions
- Near term**
 - Prevention of early closures

2.6% annual nuclear growth

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The graphic features a large blue arrow pointing upwards, containing the text "2.6% annual nuclear growth". The background is a light blue and white gradient with a faint image of a building facade and the Cameco logo. The text "Excitement for the future" and "Durable demand" is in a white box at the top left. The bottom right corner contains the text "Cameco – Q3 2021 Conference Call 6".



Across the channel, in the U.K., we saw the government include about \$2 billion in its autumn budget to help advance a large-scale nuclear project, and another \$400 million for small modular reactor development.

The 2021 Nuclear Fuel Report from the World Nuclear Association showed a 2.6% growth rate in nuclear fuel demand, up from 2% in its previous report, and that just represents traditional demand from large-scale commercial nuclear applications. It doesn't take into account any new build in the form of small modular and advanced reactors.

It's not just long-term growth in the form of new builds, either. It's also medium-term growth in the form of life extensions, for example, in France and in Canada, and it's near-term growth, as early reactor retirements are being prevented, as was the case with Exelon's Byron and Dresden plants in Illinois. We're also seeing momentum building for the non-traditional commercial uses of nuclear power here in Canada and around the world. So, it's easy to conclude the demand outlook is durable and very bright. Let's look at the other side of the fundamentals, supply.

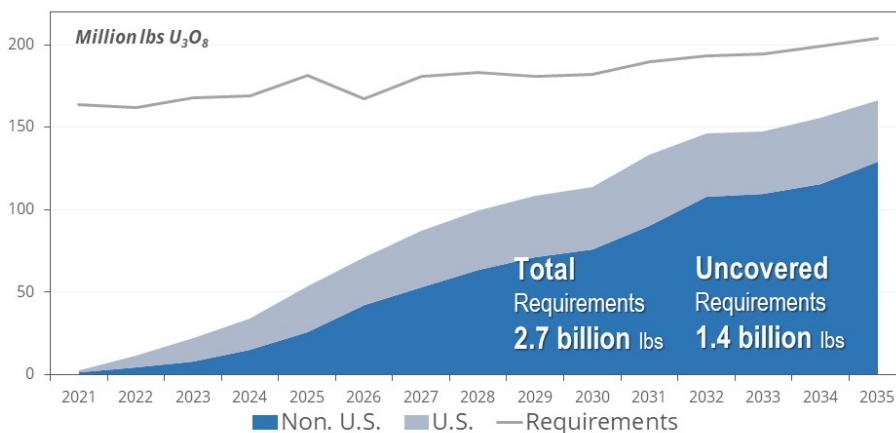
Low-carbon + low-cost = demand

Total and Uncovered Uranium Requirements



Cameco
Energizing a clean-air world

Nuclear's improving outlook potentially increases demand



Source: UxC Q1 2021 Uranium Market Outlook

2035 Annual Look:

166 million lbs
(or 82%) of requirements uncovered

2021 to 2035 Cumulative:

1.4 billion lbs
of uranium needs to be procured



When you look at current productive capacity over the next decade, it only satisfies about 70% of utilities' run rate requirements. That means, to meet the remaining 30% of requirements, new production will be needed. However, while demand for nuclear and uranium is becoming more certain, uranium supply is becoming less certain, as years of persistently low prices have led to planned supply curtailments of existing productive capacity, lack of investment in new productive capacity, and the end of some of reserve life for some mines. In the past, secondary supplies have filled that gap, but after years of drawing on these one-time sources, the secondary supply capacity is now declining significantly into the future.

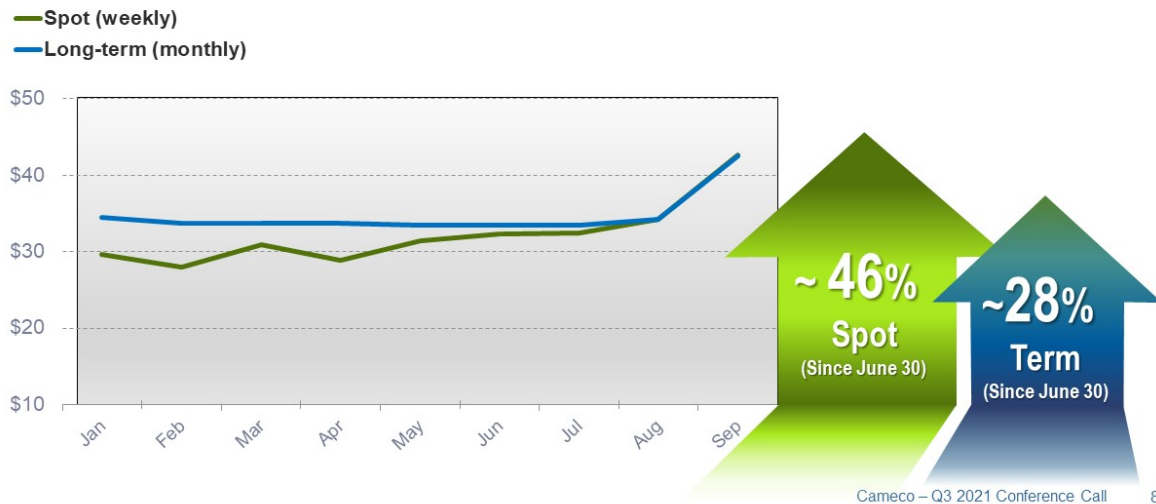
These fundamental facts are being amplified by unplanned supply disruptions caused by the COVID-19 pandemic, the further thinning of spot uranium due to interest in physical uranium by investors that are purchasing significant volumes of uranium and sequestering it, and the risk that global supply chain challenges interrupt the flow of goods and services in the uranium market, some of which we are already seeing, both here in Canada and over in Kazakhstan.

To ensure the availability of reliable and sufficient productive capacity to fuel carbon-free baseload electricity, uranium prices need to increase to reflect the economics of bringing on new supply. However, without the right market signals and without line of sight to homes for those pounds under acceptable long-term contracts, investing in a development project is not what a responsible producer does, particularly when there's idle tier one capacity.

Looking at where the market is today and what we are seeing, it's easy to conclude that the current uranium market is more constructive than we have seen in a very long time.

Uranium market

2021 Spot Price



Over the last few months, there's been significant volatility in the uranium spot price, but if you follow the trendline, it's definitely up and to the right. If you think back to when we began taking strategic actions, the extreme curtailment of our supply, the spot uranium price was under \$18 US per pound. Today, the spot price sits at about \$47 US per pound, after hitting over \$50 US per pound not long ago, a significant move up and to the right.

What's driving the spot price increase? Well, it's the thinning of the uncommitted primary supply in the spot market, the material that does not have a committed home, something we, as a responsible producer, have taken significant measures to deal with as part of our strategy.

Indeed, I would argue the magnitude of our production cuts to well below our sales commitments and the resulting purchase activity to replace those pounds are unrivaled with respect to their impact on the availability of uranium in the spot market today. In addition to our demand, there are several financial vehicles that seem to be trying to address the same problem we see, undisciplined producers jamming their uncommitted material through the spot market. We believe, with the right structure and management, the funds can be a good substitute for utility demand in the spot market.

Spot Market Demand

Sprott Physical Uranium Trust (SPUT)

~\$730 million (US)
raised



At-The-Market:

- quick access to funds to purchase uranium

Purchasing spot

- pounds that have been produced already

Material is in a sequestered, non-redeemable fund

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For example, the new financial entrant to our industry, the Sprott Physical Uranium Trust, has introduced an at-the-market equity program, which allows it to quickly access funds to purchase uranium, if its investors collectively believe the current uranium price is low. Its purchases appear to be targeting spot material, material that has already been produced, thereby not incenting suppliers to produce into the fund's demand. Additionally, it is non-redeemable, which means the material is sequestered. So far, the trust has raised over \$730 million US and purchased over 16 million pounds of uranium. This activity is driving more liquidity and better price discovery, which is an important and welcome development.

The interest of these types of funds and holding physical uranium is further evidence that investors see the opportunity for significant value capture in our industry, but it's important to remember that the spot market is not the fundamental market in our business. It's a very thinly traded market, where small volumes can have an outsized impact on price. It is not where utilities turn to satisfy their long-term run rate requirements. It is typically where they go for one-time discretionary volumes. It's why we are critical of those who promote a strategy to build productive capacity fully exposed to the spot market.



Having been in this business for now over three decades, I can tell you that strategy simply doesn't work for those who are trying to create long-term sustainable value, and it demonstrates a basic lack of understanding of the structure of our market. Yes, if timed absolutely perfectly, the productive capacity may enjoy a brief period of high prices on small volumes, but it's the spot exposure itself that sets in motion the price off-cycle and becomes value-destructive.

In our business, there's no substitute for a full-blown, utility-driven, long-term contracting cycle, motivated by security of supply concerns, to truly drive value capture in the uranium market, just as it did in the conversion market two years ago, as it did for us during the worst down-cycle in the uranium business, when our average realized price outperformed the market and protected our balance sheet, when others failed financially and had to be recapitalized and restructured, destroying value for their owners.

Finally, after more than 10 years in a trough and through the deliberate and disciplined execution of our strategy, we are now seeing the cycle form.

Long-term market
Green shoots

RFPs On-market request for proposal	\$43.00(US)/lb Long-term price
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RFP

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As the spot market continues to thin, utility interest in on-market, long-term contracting is emerging. Utilities are beginning to shift their attention to securing material for their uncovered requirements and not just in off-market negotiations. Requests for proposals have come to the market, as well.

Based on the improving fundamentals driving term demand, the long-term price for uranium jumped by 28% to an industry average of \$43 US per pound since last quarter, which is becoming more reflective of production economics. Clearly, there's a lot happening and, as I said earlier, it is an interesting and exciting time to be in the nuclear industry.

So, what does all this mean for Cameco? Well, it means we are optimistic. We're optimistic about the growth in demand for nuclear power, both traditional and non-traditional. We're optimistic about growth in demand for uranium and fuel services, and we're optimistic about the incumbency opportunity for Cameco in capturing long-term value across the fuel chain and supporting the transition to a net-zero carbon economy. Therefore, we will stay the course on our strategy. We will continue to do what we said we would do.



So, what is it that we're doing? Well, we're aligning our production decisions with the market fundamentals, we're being strategically patient in our marketing activities, and we are conservatively managing our balance sheet to ensure we can self-manage risk. This strategy has positioned us well to take advantage of the fundamentals I spoke of earlier.

We have operating and idle tier one assets that are licensed, permitted, long-lived and are proven operations that have expansion capacity. We have fully permitted and proven tier two assets that don't make sense at today's prices, but when you think about them in the context of a looming supply gap, there's a potential pathway for them to add value for us in the future, but we will continue to be very disciplined in our evaluation on that front.

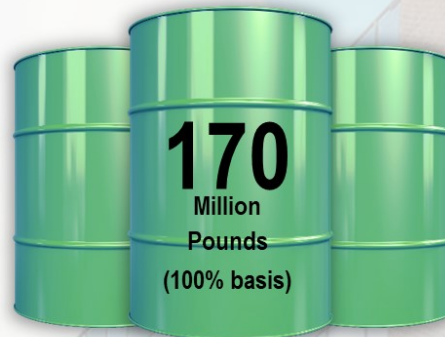
Strategic Actions Cameco

Supply curtailment:

- ~80 million pounds since 2018 that remain in the ground

Purchasing spot:

- ~56 million pounds that have been purchased to be placed into contract homes




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The curtailment of our tier one and tier two assets have inventoried more than 80 million pounds of uranium in the ground since 2016, and that just represents our share. More than 80 million pounds of uranium are worth much more in today's market.

In addition, with our spot and term purchasing, we have taken 56 million pounds of uranium out of the market since we began curtailing production. You think about that in terms of uranium fund, it would be the biggest, and we believe the best, uranium fund there is. So, why is it better? Well, the pounds are well and truly sequestered, until they have a home inside a reactor core.

Well-positioned

Assets, portfolio and vertical integration




Tier-one Assets

- Licensed, permitted, long-lived, proven
- Expansion capacity



Exploration portfolio

- Leverages brownfield



Tier-two Assets

- Potential value in the future



Vertical integration

- Across the fuel cycle
- And exploring opportunities

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All of our tier-one and tier-two asset are backed up by what we think is the best exploration portfolio, that leverages brownfield infrastructure.

But, we're more than just mining. We are vertically integrated across the nuclear fuel cycle, we're refining, conversion and fuel fabrication. As well, we're positioning Cameco to respond to the growing need for uranium fuel to generate safe, clean, reliable and affordable electricity by exploring opportunities to further our reach into the nuclear fuel cycle and in innovative, non-traditional commercial uses of nuclear power.



In addition to our investment in global laser-enrichment and our participation in the Centre for Next Generation Nuclear Technologies with Bruce Power, we have entered into a number of non-binding Memoranda of Understanding to explore several areas of cooperation to advance the commercialization and deployment of SMRs in Canada and around the world.

These opportunities align with our commitment to manage our business responsibly and sustainably, and to increase our contribution to global climate change solutions. As an independent commercial supplier, we can 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.

Thanks to our disciplined contracting strategy, we have had a contract portfolio that has protected us well during the worst down-cycle in our business. We also locked in significant value for our fuel services business in the recent price transition in conversion, and, as the uranium market improves, our focus is shifting to securing homes for our inground inventory.

Disciplined

Contracting strategy

Primary driver is value

- Layer in over time in accordance with market conditions
- Don't want to exhaust our tier-one pounds in a low price environment
- As market improves, we expect to layer in volumes capturing upside
- Lock in value at higher prices
- Target 60/40 market-related/fixed prices in our contract portfolio



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Always guided by the fundamentals. We won't chase the market down to win business and we won't produce to dump uncommitted supply into a thinly-traded spot market, as we have seen some of our competitors do.

The primary driver for our contracting activity is always value. We have been through every market transition in our industry, and while having great assets is a necessary condition for creating long-term value, we know that it is not sufficient. Our experience has taught us that a responsible producer creates real value by building a long-term contract portfolio. A portfolio that supports the operation of productive assets and generates significant cash flow through the entire commodity cycle by having leverage to greater returns as prices increase and that provides downside protection for periods of lower prices.

Therefore, where appropriate, we layer in volumes over time, in accordance with market conditions. As the market improves, we expect to continue to layer in volumes, capturing greater upside, using market-related pricing mechanisms. However, we recognize there is a cyclical nature to our business that is inevitable. That is why, as a responsible producer, we will also look to lock in value at higher prices to carry those higher prices through the next cycle, always with a view to our preference for 60/40 split of market-related and fixed prices in our contract portfolio.

A graphic slide titled "Strategy" with the subtitle "Deliberate decisions". It features a list of risk mitigation strategies and a diagram showing "Operations", "Marketing", and "Financial" components contributing to "Strategy Execution". The background includes a building facade with the Cameco logo.

Strategy
Deliberate decisions

Risk mitigation:

- Inventory
- Long-term, fixed priced purchases that can be brought forward
- Borrow material
- Ultimately, in a full-blown contracting cycle, the conditions may be met to restart McArthur River and Key Lake

Operations Marketing Financial
Strategy Execution

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On the financial side, we've been very deliberate in shoring up our balance sheet. At the end of the second quarter, we were again in a negative net debt position, with \$1.4 billion in cash, \$1 billion in long-term debt, and a \$1 billion undrawn credit facility. As such, we have the financial capacity to self-manage risk and maintain our strategic resolve.

Let me talk about risk mitigation for a minute. When we embarked on our strategy and began the extreme curtailment of our supply, we acknowledged that there would be costs associated with our strategic decisions.



Strategy
Deliberate decisions

Costs of our strategy

- Care and maintenance
- Purchases

Does not represent our tier-one run-rate

Rising prices lead to better price realization in our contract portfolio and we expect to be layering in new contracts

Operations Marketing Strategy Execution Financial

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To be certain, these are the costs you see reflected in our financial results. The cost of not operating mines is significant, and, yes, in a rising price environment, there is a significant cost that comes with purchasing increasingly expensive pounds. The good news is they do not represent the run rate of our business.

Just step back for minute and consider where the market might be today had we not taken these actions. Had Cameco not acted strategically and decisively, almost 170 million pounds would still be above the ground and trying to find a home in the market. The spot market would still be significantly over-supplied. Financial and other investors would not have taken notice of uranium. So, when we were asked are we worried if the price runs away and we have to buy really expensive material to satisfy our commitments? Our response is that is exactly the outcome we wanted to see from our strategic actions. Let me explain that.

Make no mistake, we will purchase expensive material because we need it and it allows for price discovery, but they are a consequence of our very deliberate strategy and we put four layers of risk mitigation in place to deal with them.

Strategy

Deliberate decisions

Risk mitigation:

- Inventory
- Long-term, fixed priced purchases that can be brought forward
- Borrow material
- Ultimately, in a full-blown contracting cycle, the conditions may be met to restart McArthur River and Key Lake





First, we carry an inventory. That's our first line of defence.

Second, when uranium prices started with a two or a three, we secured more than 12 million pounds of material under long-term, fixed price purchase arrangements. The deliveries under these arrangements are heavily weighted to the years 2025 through 2028. However, in the event we are unable to find enough material to meet our committed sales while McArthur River is shut down, or if it becomes very expensive, we can consider advancing the timing of delivery under these arrangements. Today's purchase price for these pounds is considerably less than our current market prices, and remember, they have a home in our contract portfolio.

Third, we also have the ability to borrow material that is stored at our licensed facilities.

Fourth, and finally, if the price is moving that quickly, we are likely in a full-blown security of supply contracting cycle and the rising price is leading to better price realization under our existing contract portfolio. It is also creating the opportunities to layer in new long-term commitments with appropriate pricing mechanisms.

These commitments will underpin the long-term operation of our productive capacity, satisfying the conditions for a restart of the McArthur River/Key Lake operation. Yes, it'll take us some time to get it going, as we outlined in our technical report, but those will be among the first assets that will be able to respond. Also, remember, deliveries under new contracts typically don't start for another couple of years, once signed. We're not there yet, but when the day comes to restart McArthur River/Key Lake, it will be undeniably positive news for Cameco, and we believe the market.

It will be the signal that, with all of our market experience, we know it is time to prepare our tier-one assets, because a market transition has taken hold. It will mean we see a market that is calling for more supply, and we have a line of sight to return to our tier-one cost structure, delivering our uranium under long-term contracts that will create value and will not overhang the market. Our decisions are deliberate.

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



We're a responsible, commercially motivated supplier, with a diversified portfolio of assets, including a tier-one production portfolio that is among the best in the world. We are committed to operating sustainably by protecting, engaging and supporting the development of our people and their communities, and to protecting the environment, something we've been doing for over 30 years.

We've determined that our strategy of operational flexibility, market alignment and financial discipline will allow us to achieve our vision of "energizing a clean air world", thereby delivering long-term value in a market where demand for safe, secure, reliable and affordable clean nuclear energy is growing.

Before we start the Q&A, I just want to make a few comments on our decision to file a Notice of Appeal with the Tax Court of Canada.

Tax Dispute

Notice of Appeal:

- Asking to get our \$777 million in cash and letters of credit back
- Timing is uncertain
- Has gone on too long



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We are extremely frustrated that we have to take this step after 13 years of litigation and multiple court decisions in our favour. However, we've seen little progress in our engagement with the CRA to apply the unequivocal rulings to the reassessments for the 2007 through 2013 tax years and to return to us the \$777 million in cash and letter of credit it is holding as security. It is very disturbing to us that an agency of our government refuses to respect the clear and decisive findings of the courts.

We can't predict how long the process might take, but we owe it to our employees, shareholders and the many other stakeholders who count on our company to hold CRA to account. We will pursue all feasible avenues available to us to get our money back and to bring this matter to a conclusion. It has gone on way too long.

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



Cameco
Energizing a clean-air world

Q&A

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OPERATOR:

Thank you. We will now begin the question-and-answer session.

The first question is from Ralph Profiti from Eight Capital. Please go ahead.

RALPH PROFITI:

Hi there, and good morning, everyone. Thanks for taking my questions, two of them, if I may, Tim and Grant, one on the spot market and then one on utility behaviour. The first question is— Tim, you talked about spot sourcing for Sprott. I'm just wondering to what degree do you consider this source of material finite, and are we close to a pinch point where liquidity becomes more of an issue and this purchasing desire runs into more immobile supply?

TIM GITZEL:

Yes, thanks, Ralph, thanks for the question. Sprott has been quite an interesting phenomenon over the last couple months, picking up—I think they picked up—they're holding about 16 million pounds, about \$700 million worth of purchases, and that comes at a point after we've been about five years in supply discipline, and so we watch the supply/demand fundamentals really



closely, we thought it was getting tight before they showed up. You asked is it finite. I think it is, at least, tightening up for sure, and, yes, we are reaching a pinch point, Ralph, I think.

RALPH PROFITI:

Great, thanks. When it comes to utility behaviour and Cameco's contract book, Tim, specifically on flexing of deliveries and existing contracts, how much of this has been a part of Cameco's discussion, how much more before you get maxed out, and maybe some industry commentary on what degree do you think up-flexing of deliveries is maybe prolonging new contracting from starting in earnest, and I'm wondering is it your experience that utilities will sort of exhaust these opportunities before entering into more of a contracting cycle?

TIM GITZEL:

I think they will look at their contracts. Obviously, they will take the best position they can. If there's flex in contracts and it makes sense for them and it's economic for them to do it, they'll do it, no question about it.

But, let me pass things over to Grant. I know a lot of you have questions on the market, and I don't know, I just put in a plug for the interview Grant did, you might have seen it, with Treva, in TradeTech this week. It's the treatise on the market and where things are at. So, Grant, why don't you just go ahead for a minute and answer Ralph's question?

GRANT ISAAC:

Yes, thanks, Tim. Ralph, you're absolutely right, that within a contract portfolio, it's pretty normal course for utilities to look at the options that they have within a contract structure to take advantage of market moves, and so no surprise, if you have a utility that has the ability to flex up, and maybe they're asking to flex up a contract, for example, that is base-escalated, or a contract that was market-related, but may have had a ceiling that's below today's spot price. No surprise, they'd want to flex that up. But, I wouldn't say there's a one-size-fits-all. I mean, I think the opposite can also happen, where a utility might choose to defer market-related volumes because they see backwardation and they think, "Well, why would I take material today if the spot price is out in front of the term price? Maybe that means the market's going to come down



a little bit.” So, there is no one-size-fits-all. It’s just normal course optimization within that contract portfolio, and we just say time and time again that’s really what you have to focus on when you think about capturing value in the uranium market.

But, I would then make a distinction between those kind of moves and really what’s been going on in the term market. You asked the question, does a utility taking advantage of, say, flex in a contract delay the contracting cycle, and I would say it doesn’t. What has delayed the contracting cycle is what Tim referred to a number of times in his comments, and you’ve heard us say this over and over again, it was uncommitted primary production coming from undisciplined suppliers, that didn’t have a home, getting put into the spot market in a low interest rate environment, created the carry trade. It created the opportunity for utilities to come into the market, to not just turn to producers for term material, but to turn to financial entities, as well, who were willing to buy it in the spot market and carry it for a couple years into the early part of term business. That’s what kept utilities from sort of looking at the broader run rate requirements.

So, what we’ve seen is that the work that Cameco has done to pave the way, the 56 million pounds of purchasing we’ve done since our supply discipline strategy started, plus the material we’ve kept in the ground, that paved the way for what we’ve now seen. The spot purchasing, that’s had a very dramatic impact, especially from the Sprott fund, in a world where interest rates are going up. So, that recipe for carry trade has kind of reversed on itself and it’s that drying up of that spot material not being able to be carried into the term market, that’s what makes the difference for the term contracting mentality and sentiment, as opposed to just optimizing within a contract.

So, I hope that makes sense, Ralph.

RALPH PROFITI:

Yes. Yes, it does. Thanks very much, appreciate that.

TIM GITZEL:

Thanks, Ralph.



OPERATOR:

The next question is from Andrew Wong from RBC Capital Markets. Please go ahead.

ANDREW WONG:

Hey, good morning, and thanks for taking my questions. Just going back on the contracting cycle, I guess, since that's what we're talking about, where would you say we are in the contracting cycle, given that we have seen some volumes being signed, and it does vary across different regions, maybe it's different across different regions, and just how does that contracting cycle look like in terms of how it'll evolve over the next few years, relative to what we've seen in the past?

TIM GITZEL:

Grant, do you want to take that?

GRANT ISAAC:

Yes. I would say, here's the good news, Andrew, this is early innings. What we've seen in the uranium space is, first of all, interest from clean energy, interest from the decarbonization, and then we've seen the spot interest as the spot market's gone up, but we haven't yet seen the next leg, which is when that term contracting cycle starts.

What we mean by a "term contracting cycle" at Cameco is when contracting is at or above replacement rate levels. Utilities are consuming roughly 180 million pounds a year of uranium and, on an annual basis, layered out over time, they're buying 180 million pounds. That would be replacement rate contracting. What we've lived through, of course, is way, way below replacement rate contracting. One of the data points we often refer to is that since Fukushima utilities have consumed over 1.6 billion pounds off of term contracts signed in the past, but they've only come into the market to replace about 800 million of that. That's what's given rise to this big wedge of uncovered requirements.

The early RFPs we've seen, even the off-market stuff that Cameco has done, this is early innings. To use a baseball metaphor, being here in World Series time, these are early innings. There's a lot of contracting that has to occur in order to meet the uncovered requirements



wedge that we see, and remember, that uncovered requirements wedge that you look at is usually quite traditional and conservative. It doesn't layer in sort of the new demand from the things that Tim was talking about, like SMRs. So, early innings from a timing point of view.

When we look ahead, I would say we don't see a whole lot that makes us think the next term contracting cycle is going to be different. We've seen a lot of demand getting piled up. We know that contracting begets contracting in our business. We expect that these RFPs roll out and utilities start tying up future supply that hasn't yet been pulled out of the ground, or even worse, future supply that might be a definitive feasibility study. But, that's it. A lot of work has to happen before there's any pounds above the ground. When that period of contracting starts to happen, then we see others follow through the door.

We haven't seen anything at the front end of this cycle to make us think it's going to be different this time, and you've heard me say before, what we just went through with conversion, I think is very illustrative, after believing conversion was going to be available at low prices forever, that service became constrained, and that constraint brought contracting, that contracting was beyond replacement rate, and it was really strong price formation, and for a producer who remained de-leveraged to that, we were able to capture a great deal of value. So, we think there's some lessons to be learned there.

So, early innings, pretty exciting.

ANDREW WONG:

Okay, that's helpful, and just is there any difference between the different regions that we should be watching for?

GRANT ISAAC:

Well, we've seen no difference in terms of even the new entrants, the regions that are kind of new to commercial term contracting, you know, China from 2010, India. We've seen no difference in terms of commitment to term contracts. Every now and then you'll hear people out



there saying, "Oh, this market, it's going to break the spot." We don't see that actually. We don't see, really, any utility with any size and scale saying that they're going to take their chances in the spot market. They tie up their annual run rate requirements through term contracts.

What we are seeing, perhaps, is a little bit of difference in whether market-related or base-escalated pricing is the focus, and with, I would say, the new entrants and the sovereign buyers, we tend to see a little bit more willingness for more market-related. We think that probably just has to do with, you know, if you're a fuel buyer buying for a big program and it's not your full-time job, you're buying other things, as well, and maybe just taking the market price is the easiest thing to do, rather than fixing a price and going through a period where maybe you're paying a price that's above the market, that seems like a pretty risky thing for you to do. So, there seems to be more of a tolerance for market-related versus base-escalated that we've seen in the past with some other programs, which, by the way, is great for us. We, obviously, love that, because we think the fundamentals suggest that market-related exposure is a good place for us to be.

But, no difference on the term contracting. In fact, if we truly are heading into a term contracting cycle and we go to above replacement rate term contracting for a period, then the dominance of the term contract is restored vis-à-vis the spot. So, for us, that's probably the only difference that we're really seeing on the front end of a cycle here.

ANDREW WONG:

Okay, thanks for all your insight. Thank you.

TIM GITZEL:

Thanks, Andrew.

OPERATOR:

The next question is from Orest Wowkodaw from Scotiabank. Please go ahead.



OREST WOWKODAW:

Hi, good morning, and all I can say is what a difference a quarter makes in terms of the market sentiment, but my question revolves around your thinking right now on McArthur River. I think most of us probably have been assuming for some time that the potential timeline for McArthur to come back would be sometime around mid-decade, but with the market recovery accelerating, apparently, so quickly, given the inventory purchasing activities by several players, can you give us sort of your current thoughts on what would be the requirements to consider bringing back McArthur, and whether you're potentially thinking that it could come back maybe in a partial form, rather than just the full production, just given the amount of pain you're taking with respect to holding costs right now?

TIM GITZEL:

So, let me start with your comment. It isn't very often in the last 10 years you've heard us use the word "exciting" and "nuclear uranium market" in the same breath, but I would say that—and it's not just a difference a quarter makes, we've been building on this for years, like for five years at least, if not more, with the strategic decisions we've taken, with the supply we've taken off the market, so now we're starting to see the results of that in supply/demand fundamentals, and so, yes, we are pretty bullish, pretty optimistic about our business going forward.

McArthur/Key, I think we've been consistent over the last years and quarters in saying we're not bringing them back until we find a good home for those pounds and acceptable term contracts that we have to put those pounds in. We don't have to have every last pound put into a contract, but we want to make sure it's base-loaded with good long-term contracts, and so we're working on that, we're making progress. As you see every quarter, I think we've announced more long-term sales. I think over the last three years, we've—I think in 2019, we had 36 million pounds, we added probably 12.5 million last year, and 20 so far this year, so we're building on that. We're not moving too quickly, because we think the price is still forming long term. So, we will look at returning those assets when we have, as I say, a good home, a good home for the pounds that are coming out of there.

Grant?



GRANT ISAAC:

Yes, Orest, I would just add one thing. You said most people are sort of imagining a mid-decade restart. Well, let's face it, we put out a technical report that said it basically takes 18 to 24 months to restart it. So, if we did it today, we are sort of talking mid-decade, so that assumption is the right one. Our supply discipline continues.

OREST WOWKODAW:

Okay, and just, Tim, on your comment about not having to sell every last pound, how should we think about that? Is that an issue of you'd like to lock up the majority of pounds from future production on a kind of 7- to 10-year view, or any kind of framework you can give us?

TIM GITZEL:

Well, it's going to flex a bit, Orest. As I say, we'd like to have the majority of the pounds tied up, if we can. We also know that we're able to flex production if we need to on that asset, and maybe others, and so we'll gear our production to our sales. You'll see, I think—I'm looking at Rachelle—that in the five-year period, from today forward, we have sold an average of 20 million pounds, not too bad, and so we're working on that. We've got lots in the pipeline, I can tell you that. We're busy. Grant and his team, the Marketing Team are busy. We're starting to get out on the road again, which is really productive. So, yes, we're getting there and it's pretty—we're making good progress and it's pretty exciting.

OREST WOWKODAW:

Okay, and just quickly, if I may, just with the pricing terms in the market having moved up so much, I assume it's fair to say that the bid/ask spread on the long-term contracting discussions has, I would assume, closed from what it was over the last couple years. Should we anticipate that the level of contracts, or the level of re-contracting activity now is likely going to ramp up here, just given where current pricing dynamics are, or if not, what is holding utilities back at this point?

TIM GITZEL:

Grant, what are you seeing with your team?



GRANT ISAAC:

Yes, Orest, I think that's the right way to think about it. The spot, because it's thinly traded and rather liquid, it can move quickly, and it does move quicker than the term market. Having said that, very good news, the term market took a pretty big jump in September, both TradeTech and UxC, and of course UxC prices went up again, as well, at the end of the month here in October, and so we are seeing that term response.

I think, for those who may have been sitting on the sidelines, from a contracting point of view, and say, "Well, if I wait a bit longer, can I get better priced uranium?" I think there'll be a lot of people sitting around on fuel buying teams saying, "Well, we probably missed the era of uranium that starts with a two and we may have missed the era of uranium that starts with a three, and now it actually seems to be well into the fours."

Of course, that's the inflationary psychology that you want to see in the market. In the past, that has always brought more contracting, and you're right, contracting begets contracting, because, remember, any one actor who steps in and ties up their run rate requirements, they're laying claim to future supply, future supply that somebody else can't have, and so it does create that momentum of saying, "Well, I'd better get in line and I better tie up some of that supply." So, we can go through periods where there isn't a lot of contracting and it doesn't drive urgency, and we go through periods where there's a lot of contracting and it drives a lot of urgency. So, watching that term price move up the way it has and expecting it to continue to push up, and recognize that, really, the carry trade is gone from a substitute point of view, and your future lies by turning to producers who have seemed to demonstrate a bit of willingness to step back with their pricing aggression, it just seems to be the cycle is taking hold.

OREST WOWKODAW:

Thank you for the colour.

TIM GITZEL:

Thanks, Orest.



OPERATOR:

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

GREG BARNES:

Thank you. Grant and Tim, in prior MD&As, you've talked about, or given some colour around how active the term contracting discussions you're having has been. I didn't see any on a quick review of the MD&A, given the timing, but I didn't see any in this MD&A. Just some colour around that would be helpful. I think you've touched on it a little bit, but some more colour, I think, would give us some clarity.

TIM GITZEL:

Yes, thanks, Greg. Grant?

GRANT ISAAC:

Yes. So, one of the distinctions we've been making for some time is that our term market really has, for a lot of our customers, two dimensions to it, and one is that the on-market, where they come out with a very public RFP, we spend a lot of time talking about those, and there have been a few in the market, and that's great, but we've also, with Cameco, gone through a period, and we have in past cycles, with what we call off-market, and that's where we're in typically exclusive bilateral discussions with utilities, and you're right, Greg, we had been talking about that quite a bit. We've been talking about it because it's the way to sort of signal where demand is starting to form, if you can't see it in on-market RFPs.

So, the vast majority of the material that we've booked since our supply discipline has started is actually in those off-market conversations, and if I were to reflect on where that pipeline is, no surprise, with the moves in the uranium price, the pipeline strengthens, and what we can confirm is that, on an off-market basis, we're talking about term volumes that are quite near, beginning in the next couple years, to term volumes that are actually up to 20 years out, Greg. So, it's quite a range, and no surprise that those conversations strengthen in a market where the price moves.



For us, obviously, the prospect of being in a position to announce some of those is going to really send the signal that future supply is being tied up, in some cases, in windows beyond, say, the current life of Cigar Lake, which ought to be a shock to the market, to think that material is already being tied up in that window, and the obvious substitutes aren't inflation on the supply side. I think that goes back to my earlier comment, early innings on a term cycle.

GREG BARNES:

Okay, and just switching to the CRA appeal, and I know, Tim, you said you couldn't talk about timing, but what are the next steps in terms of this appeal, because I believe you have to, obviously, set a court date and all the rest of it.

TIM GITZEL:

Yes.

GREG BARNES:

When is that going to happen?

TIM GITZEL:

Yes, Greg, you're absolutely right. We just prepared the Notice of Appeal. Sean Quinn is here with us, our Chief Legal Officer, and I'll get him to give you a little bit more colour, but just to say we've—we got our decision from the Supreme Court, who said they've seen enough of this movie, move on. That was back in February, February 18 of this year. Since then, we've made efforts to try and talk to the CRA and get them to move things along and apply the same logic the court applied to the years '03 to '06 to the rest of them, they're still thinking about it, and we're tired of waiting around. So, Sean, what are the next steps?

SEAN QUINN:

Sure. Thanks, Tim. Procedurally, what will happen next is that the Notice of Appeal we've just filed will be relayed to CRA, who will engage with the Department of Justice. They'll eventually file a reply to our Notice of Appeal, I don't expect to see it until January of '22, and that'll kick off the litigation process in Tax Court for the years that we've appealed. That process will start with collection and exchange of documents, move on to examination through discovery, and if there



isn't a resolution at some point along the way, we'll eventually be back in front of a Tax Court judge, but I don't expect that until late '23, at the earliest, more likely into '24, and it's litigation, which means that it will twist and turn along the way.

TIM GITZEL:

Greg, let me add, that's the legal route. We're looking at other avenues, too. We're going to turn up the heat on whoever we can in government, especially one, and just again explain how unfair this is. I know it's not a popular story to tell, it's a hard story to tell, but this is a bit of abusive behaviour by the CRA and we're just about done with it, so we'll take whatever measures we have to to have justice, to have justice done in this case.

GREG BARNES:

Just so I'm clear, you're filing an appeal just to get the monies you deposited with the CRA back? This is not retrying the entire case again, though.

TIM GITZEL:

You got it, yes, you're right, it's the Supreme—I mean, I'm sorry, I get a little frustrated on this one, but after however many, 13 years of litigation on this. We win hands-down at the Trial Division Tax Court, we win hands-down three judges Court of Appeal, and then Supreme Court says, "We don't want to hear about it." That, normally, when I went to law school many, many years ago, that meant something, that you had a decision and is enforceable, and here it appears that whatever is happening, some decisions get enforced and others that they don't like so much don't, and we don't think that's fair, and so we're going to keep fighting on this one. We'll eventually prevail, but it's going to take us a little bit more time.

GREG BARNES:

Okay, thank you.

TIM GITZEL:

Thanks, Greg.



OPERATOR:

The next question is from Gordon Johnson from GLJ Research. Please go ahead.

GORDON JOHNSON:

Hey, guys. Thanks for taking the question. A lot of the questions we had have been asked, but I guess one thing I wanted to hear from you guys is—there's been an about-face, if you will in France, as you guys mentioned in the prepared comments, but it also seems that the U.K. has put nuclear as a big part of their CO₂ reduction policy, as well as Finland, which recently did an about-face. So, it looks like there's going to be some problems in Europe this year with respect to energy, heating, etc. Have you guys seen, or are you seeing, a shift, if you will, in mentality from uranium/nuclear being a four-letter word, if you will, to be something more attuned to climate and reducing CO₂ emissions, and then I have a follow-up?

TIM GITZEL:

Yes, thanks, Gordon. I think nuke is a four-letter word, isn't it? Yes, the answer to your question is yes, we have. I mean, this is becoming painfully obvious as you look through Europe, and if you look in the—well, across Europe. You look at natural gas prices going through the roof, energy prices, you get no wind, your windmills don't turn, the sun doesn't shine, you don't get that renewable energy, and so people are starting to say, "Oh, now what are we going to do going forward?"

So, we're seeing—you mentioned France. I mean, France has always been super-strong on nuclear. I think they rethought it a bit, what their position should be in those years in the last decade, but now have come out super-strong, and across—almost across the political spectrum, where the President today isn't being seen as even strong enough on nuclear. So, that's great news. France remains a strong nuclear powerhouse.

I think Boris Johnson and the U.K. government just put their money where their mouth is. We saw them put about \$2 billion up yesterday, I think, for a large new nuclear plant, and they're talking about a number of SMRs there. We, in fact, are talking to Poland with some partners. I mean, if you look across, Romania, Turkey, the Czech Republic, Belarus, if you like, Hungary, all of them talking nuclear and adding to their fleets, and of course everybody is watching



COP26, so we'll be watching with our eyes wide open on that one to see how that turns out and whether the tailwind for nuclear continues there. There's differing opinions, I still say our former Minister of Natural Resources in Canada said it best, when he said there is no path to net-zero carbon-free world that doesn't drive by a nuclear plant, there has to be nuclear in the portfolio, and I think people are coming to realize that. You're hearing a lot of hope and hypocrisy, and there's a gap between the rhetoric and reality on this whole climate change thing. The real answer runs past a nuclear plant. So, that's really giving us—that's really putting some wind in our sails.

GORDON JOHNSON:

Okay, that's very helpful. As you guys highlighted, look, spot prices have went up a lot, but as you guys know, spot is not the majority of the market, it's contract, and the last I checked, contract prices were around the \$40's, but the real kind of, I guess, liftoff, will be when/if a lot of these nuclear plants start to renegotiate and lock in contract at prices. I know a lot of questions have been asked around that, but have you guys seen any movement/development, particularly in the Chinese area, from some of those utilities in China, seeing where prices are and looking to move, or I guess, as the nuclear bears would say, those guys are just going to sit it out, they're not going to do anything. Can you comment on that theme, and thanks for the question.

TIM GITZEL:

Yes, thank you, it's a great question. So, yes, we are seeing some urgency now in the market, we're seeing utilities around the world starting to have another look. We know there's—I think the number's like 1.4 billion pounds that need to be procured between now and 2035. It's like an average of 100 million pounds a year that have to be procured, and I can tell you that's not all going to be on the spot market.

Sure, the big countries, we know India is out. We know the Chinese in 2010 made their big move, we were there, we signed a deal with them in Ottawa for 52 million pounds, and they signed for 50 with the Kazaks and 50 with the French. Those contracts run into kind of the mid-2020s, which we're approaching now, and so we know they'll be back in the market. I think there are 51 units running today, another 15 or so under construction, 14 or 15 under



construction, and so they hope to have—and they will have—70 units running by 2025, if you can believe that, with another 30 or 40 under construction. I can tell you they'll be back in the market, even though they've got an inventory.

So, yes, we're expecting everybody to be coming back, and that's where we say, you know, at some point, down the road here, the end of this decade and the next decade, there's going to have to be some new production coming on, because nuclear is growing 2.6% a year, we hear from the WNA, and at the same time supply is going down. So, those are pretty good fundamentals for us.

GORDON JOHNSON:

Great, thanks again, guys.

TIM GITZEL:

Yes, thank you, Gordon.

OPERATOR:

The next question is from Lawson Winder from Bank of America Securities. Please go ahead.

LAWSON WINDER:

Hi, good morning, and thank you for the update. I just wanted to ask about the McArthur River restart. I'm trying to understand what kind of flexibility you have with potentially running McArthur River at a suboptimal capacity utilization? For example, can you still make money running McArthur at like a 50% capacity utilization, if that's what the contract book dictates? Thank you.

TIM GITZEL:

Yes, thanks, Lawson. We will have flexibility. Some of the work we're doing now with what we call up amped up project, which is digitization, a bit of a digital revolution up there, where we're putting in a lot more sensors and new equipment, so that we will have the flexibility to flex our production up and down to meet our market requirements, and so, yes, we will be able to do that. You say at "suboptimal" levels. I think we'll run it at an optimal level, whatever that is. It



doesn't need to be 18 million, or we can flex up to 25 million pounds, we've got approval to do that. So, we'll see where the market is and we will flex our production to meet the demand we have.

LAWSON WINDER:

Okay, that's fantastic colour. Then, just on the—you spoke a lot about your risk management, in terms of how it has to do with your need to go into the market and purchase and how you have the ability to potentially advance some of your purchase arrangements, and also borrow material from your licensed facility. Can you maybe just give us an idea on the licensed facility materially? How much flexibility do you have there? Like, how much potential material is available and for how long can you borrow that material? For example, could you offset your total 2021 expected purchases with that borrowed material? Thanks.

TIM GITZEL:

Yes, Lawson, that's a great question and one in which we're not at liberty, really, to answer that one. Those are confidential matters with our customers, so we can't really speak to that.

GRANT ISAAC:

But, we can say, Lawson, that in the context of all four levers, ranging from our inventory through our ability to advance long-term purchases into this window, plus the borrowing, plus, you know, if you're talking about that kind of environment we are talking about, the one where you'd be restarting McArthur River, that kind of gives you a two-year window to bridge through, and as a tool in the toolbox, the loans could play an important role, but in terms of exactly where we're at with those, those are confidential account information.

LAWSON WINDER:

Okay, I thought I'd try. Thanks, guys.

TIM GITZEL:

I think you've tried that one before, actually.



OPERATOR:

The next question is from Gordon Lawson from Paradigm Capital. Please go ahead.

GORDON LAWSON:

Hello, and thank you for taking my question. You spoken on this from a few angles already, but I just wanted to hear more of your opinion on the growing number of inventory-holding companies, now even including Kazatomprom, and if Cameco has considered joining this strategy as a means of further reducing spot availability.

TIM GITZEL:

Grant?

GRANT ISAAC:

Yes, I probably need to think about that. We were, in 2017, the world's largest uranium fund. We had built up an inventory of about 33 million pounds, because we were refusing to sell material. That actually was the initial impetus for shutting down McArthur River, because we realized that, as a producer holding material, actually, an inventory becomes an overhang. We'd get into conversations with our customers and we'd say, "We're looking at your uncovered requirements. We think you need to buy uranium," and they would say, "Well, we're looking at your inventory and we think you need to sell uranium." So, we said, look, let's take this dynamic off the table and let's remove that inventory overhand.

So, for us, as a producer looking to place material profitably, actually, the first best option is to leave it in the ground, that's the best place to inventory material, because then it's clear to everybody there's an economic decision, a price trigger, required to get it out above ground. That's why we have not been particularly supportive of just building inventories that are sitting there, because they're an overhang in the market.

But, as Tim said, it's a little bit different—it's actually quite a bit different—with the Sprott vehicle, and I would say other funds should pay really close attention and should align their management and market approach if they want to maximize value, and just what are the three things that we're seeing different with what Sprott's doing?



Number one, they tend to just buy on the market. They're sitting on the broker platforms and they're lifting offers that are available on the market, and that is driving transparency and it's driving liquidity in the market. It's taking judgment out of it. Price reporters aren't having to figure out, well, is that a trader-to-trader transaction and is it going to get reversed next week, so is it a real transaction and should it really be forming price? It's a real transaction. So, that's number one, versus what I would say financials have done in the past, which is to sneak around off-market and try to draw inventories off the shelf, that weren't going to go anywhere, so you should have just left them there. Going and buying them doesn't make a whole lot of sense to us. It just transfers some inventory from one source to another. So, being on-market like that is pretty important and we'd encourage others to do it.

Second, the at the market feature is fantastic, because it's an immediate translation of what a group of investors believe the production price of uranium should be, and clearly the investors in that Sprott vehicle said, "Uranium that starts with a two is too cheap and uranium that starts with a three is too cheap," and they continue to have success raising money at the market with uranium that starts with a four, and so you say, "Well, where is that point at which those investors believe that uranium is fairly priced?"

I don't know, I can't speak for them, but it is important to note that Sprott, themselves, have raised their long-term price forecast from \$50 to \$60, so that's a pretty good signal that the Sprott folks think there's still quite a lot of room to run, and if that's the case, they should have success raising money at the market. Raising money at the market creates proceeds, which then go and buy uranium in a thinner market with increasing elasticity, and a virtuous cycle sets in. So, there should continue to be a high appetite for a vehicle that sits on the market buying and that has this at the market feature to translate trust units into purchases right away.

But, the third is the sequestered nature of the fund, the fact that it's non-redeemable. This is pretty important. In the past, the financials have been the demand surge that spiked the price and then they've immediately been the supply surge that's tanked the price, and what you see with this new vehicle is you see sequestered material that's not coming back to the market. I would encourage every other fund to come up with a really strong statement about what their



lockup periods are, because if they're simply, you know, a buy and then dump back into the market at a certain return, we're actually better off not even have them in this space. We're better off to let real demand take that material out of the market. So something fundamentally is different with this Sprott vehicle to the extent it creates followership from the other financial funds, it is a transformative change to the market.

GORDON LAWSON:

Okay, thank you very much. Would you care to weigh your opinion on Kazatomprom's move then?

GRANT ISAAC:

Well, you know, I think we have just to learn a lot more about it. On the surface, it looks like a pretty interesting announcement, in that it's a producer seeding a fund, which is then going to raise money from other investors who may not currently have access to, say, the Sprott fund or the URC fund, so that's interesting, because it could bring in a brand new investor base. But, if I map it back to the comments I made earlier, let's just hope it's not a fund to park excess production from Kazakhstan. If Kazakhstan has excess production, leave it in the ground. That's what a responsible commercial producer would do. If it's just an excuse to overproduce and park it some place, that's not a good idea, that should be avoided, and anybody willing to invest in that should say, "Absolutely bad idea. I'm not supportive of it."

Then, secondly, there should be really strong clarification about what the lockup period is. If it's nothing more than an off-balance sheet inventory, where a producer can go and grab material to dump it back into the spot market because they see a high price, investors should say, "No, I'm not interested in that, either." To the extent that this thing is getting formed, if the investors say, "Hey, look, there's a model here that we're seeing. It's on spot, at the market, with sequestered pounds. That's the model I like. If that's the model you want to go with, then it's going to make a lot of sense. But, if it's just an excuse to inventory material you should have left in the ground, it won't be supportive."



GORDON LAWSON:

Okay, that's great. Thank you very much for the colour.

TIM GITZEL:

Thanks, Gordon.

OPERATOR:

The next question is from Brian MacArthur from Raymond James. Please go ahead.

BRIAN MACARTHUR:

Good morning, and thanks for taking my question. It has to do with potential—and I'll stress potential—secondary supplies going forward. Can you maybe comment a little bit how you see the enrichment market going, and if prices start to go higher, do you think there's a risk of underfeeding again, and maybe, secondarily, comment on—there's been talk historically of Japanese inventories. Do you think there's some level at which they may come out into the market? Obviously, it's probably higher prices, but any comments there would be useful. Thank you.

TIM GITZEL:

Ya, thanks, Brian, nice to hear from you. The charts that Grant send me on secondary supply are all going down and to the right. We see quite a significant diminishment in secondary supplies over the next 10 years, partially due to what you said, enrichment prices going up.

Grant, why don't you comment on some of the other pieces, the DOE?

GRANT ISAAC:

Yes, Brian, thanks for that question. It's a good reminder that when folks say, "Ah, you know, we've seen this story before. Yeah, spot's thin right now, but secondary supplies are coming to the rescue," that's not the case anymore. If we just go back to the fundamentals, by virtue of the fact that over 1.6 billion pounds have been consumed off existing contract portfolios, and only 800 million pounds has been replaced through new contracting, that gap has been filled by something, and what is that something? It's been the further exhaustion of secondary supplies.



Secondary supplies are only perpetual and they only work going forward if, actually, productive capacity is greater than consumption, right? Like, you would actually need global primary production to be higher than current consumption, so that you had excess production, which is then going into inventories, which can then come back as secondary supplies. But, that's not what's been happening. Primary production, because of COVID last year, was down to about 120 million pounds in a market that consumes 180 million. So, the consumption of secondary supplies has been a really important part of the story, because it's not just primary capacity that is falling down and to the right, it's the secondary capacity that's falling down and to the right, so the classic problem solver in the market just isn't there anymore.

When you look at the enrichment space, it's pretty interesting what's going on, and that is all the SMRs and advanced nuclear reactors, and that stuff that's going to kind of create the new demand for uranium, is actually going to tie up further enrichment capacity. The excess enrichment capacity that was being used for underfeed has, actually, got a pretty bright future to be used for enriching into the new nuclear fuels, and so we just don't see that as a factor in the market going forward, the way we saw, say, five years ago.

When you combine the primary story with the secondary story on the enrichment side, it's just part of the fundamentals that get us very excited.

On the Japan question, I would just point out that Japan is also suffering an energy crisis, right, and not only that, at the same time Texas was going through its energy crisis, Japan was going through one, as well, where—when people try to sit on a one-legged stool, they find out it's not very stable. Your energy policy has to balance a low cost of energy with a low emissions profile and a secure and reliable supply, and what we've seen, as country after country plough into the emissions profile and they've lost the security and the reliability, and they've lost the cost piece, and as a result, we see nuclear coming back into the toolbox, because it's the one that locates right in the middle of that balance, right? It's low cost, it's low emissions and it's very secure and reliable.



So, no surprise. You've got a new Japanese Prime Minister come out and say, in a world where we're the largest importer of coal and where security and reliability are a concern, and now cost is an issue, and we're in the midst of an energy crisis, let's have a look at the assets that we already have that provide baseload carbon-free power, and those assets need to be fueled, and, by the way, we've got the fuel sitting here, so why would we get rid of it in a market like this, when later, and we have to go back and get it, where it's going to cost us a lot more?" We, actually, just continue to take Japan and move it to the sidelines and say it's not the central story in the market anymore.

BRIAN MACARTHUR:

Maybe just to follow up on that, I guess, until we get new enrichment capacity, you don't worry about it too much, and only then if they overbuild it. Can you maybe comment, then, on GLE and do you think that'll be the next enrichment built in the world?

TIM GITZEL:

Well, Brian, we're working on GLE, as you know, we just stood up the company and populated with some super-talent, and so we're pretty excited about that. We have that outstanding agreement with the DOE to re-enrich tails there, which is really exciting for the future. It could be a mine of the future there. Then, the role of GLE, potentially, in HALEU and some of the fuel for the SMRs. So, we're getting it going. Sean Quinn is leading it here from our side. We think it could be a real player going forward. It's going to be the next technology in the enrichment space.

BRIAN MACARTHUR:

Great. Thank you very much for all your comments, I appreciate it.

TIM GITZEL:

Yes, thanks, Brian.

OPERATOR:

The next question is from Katie Lachapelle from Canaccord Genuity. Please go ahead.



KATIE LACHAPELLE:

Hi, guys. Thanks for taking my question. I just have one. I just wanted to touch on something you mentioned in your prepared comments, the fact that there's a risk to uranium supply chain. I think we're already seeing a problem in Kazakhstan and I think the potential impact of production going forward has maybe been slightly overlooked. I just wanted to hear your thoughts on that and what impact you're seeing in your supply chain specifically.

TIM GITZEL:

Thanks, Katie, and I know you talked to us not long ago, I think you were talking to Grant, but I think we're suffering the same fate—I say “we,” the uranium industry, nuclear industry—as everybody else on the supply chain side. We're seeing it here in Canada, where some of the reagents that we normally use are taking longer to arrive. We're seeing it in Kazakhstan, where some of the piping that we need, drilling equipment, sulphur, sulphuric acid is harder to get. So, yes, it's a drag on everybody. Transport's tougher. You never want to lose your spot on a transport ship, getting your stuff over, because, first, you'll pay about five times more if you can even find a berth on a ship. So, yes, we're affected by all of those things. So far, we're still able to produce and deliver, but it's putting a stress on the Corporation and on the industry, we know that.

KATIE LACHAPELLE:

Awesome. That's it for me. Thanks, guys.

TIM GITZEL:

Thanks, Katie.

OPERATOR:

The next question is from Philip Chaffee from Energy Intelligence. Please go ahead.

PHILIP CHAFFEE:

I just have a quick question. Are you in talks to participate in, and maybe even store material at, this mooted trading hub at Alashankou in Western China, that CNNC is putting together?

TIM GITZEL:

Hi, Phil. No, we're not.

PHILIP CHAFFEE:

Okay.

OPERATOR:

There are no more questions at this time. This concludes the question-and-answer session. I would like to turn the conference back over to Tim Gitzel for any closing remarks.



The slide features a blue header with the text "Cameco Competitive advantages". Below the header, there are two columns of bullet points. The left column lists: "Well positioned to respond to changing dynamics", "Diversified portfolio, including tier-one assets", and "Independent, commercial supplier". The right column lists: "Canadian productive capacity" and "Proven track record:" followed by sub-bullets: "licensing", "permitting", "operating and", and "ESG commitment and performance". In the bottom right corner, there is a circular ESG diagram with "Environment" at the top, "Social" at the bottom, "Governance" on the left, and "ESG" in the center. The diagram is surrounded by the text "Clean Environment", "Safe, healthy, and growing workplace", and "Supportive Communities". The slide footer contains the text "Cameco – Q3 2021 Conference Call" and the number "21".

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 - ✓ ESG commitment and performance

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TIM GITZEL:

Well, thank you, Operator, and thanks to all of you that called in today. We appreciate, as always, your interest and support. As I said, we don't often use the word "excited" in our business, and haven't for a long, but we are, indeed, excited about what we're seeing in the area of nuclear power generation and SMRs, and other things. I just want to reaffirm and confirm with everybody that we will remain a responsible commercial supplier with a strong balance sheet, long-lived tier one assets and a proven operating record, and we're well



prepared and well positioned to respond to the dynamics of the market that we're seeing now. We will always be driven by commitment to ESG and safety and the environment.

So, thanks again for calling in, and let me assure you we'll make the health and safety of our workers, their families and their communities our priority. Thank you, everybody. Stay safe and healthy. Thanks.

OPERATOR:

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