



Cameco Corporation

2021 Fourth Quarter Results Conference Call Transcript

Date: February 9, 2022

Time: 8:00 AM ET

Presenter: **Rachelle Girard**
Vice-President, Investor Relations, Treasury & Tax

Tim Gitzel
Chief Executive Officer

Grant Isaac
Senior Vice-President and Chief Financial Officer

Brian Reilly
Senior Vice-President and Chief Operating Officer



OPERATOR:

Welcome to the Cameco Corporation Fourth Quarter 2021 Conference Call.

As a reminder, the conference is being recorded. After the presentation, there will be an opportunity to ask questions.

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 Fourth Quarter Conference Call.

I would like to acknowledge that we are on Treaty 6 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 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 it's not too late to wish all of you a happy new year, and I hope that you and your families are doing well.

Favourable Uranium Market Fundamentals
Cameco Strategically Positioned



		
Growing Demand	Uncertain Supply	Cameco in Pole Position
<p>Global focus on:</p> <ul style="list-style-type: none"> • electrification • decarbonization • country net-zero targets • company net-zero targets • infrastructure investments 	<ul style="list-style-type: none"> • Planned supply curtailments • Unplanned supply disruption • Underinvestment in existing capacity • Underinvestment in new capacity • Decreasing secondary supply • Geopolitical and trade policy risk 	<p>Strategy to capture full-cycle value</p> <ul style="list-style-type: none"> • Idled tier-one & tier-two capacity • Long-term contract portfolio • Operational flexibility • Project pipeline – leverage brownfield infrastructure • More than mining – vertical integration

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A year ago, I spoke to you about our excitement for the future of our industry, the growth occurring in traditional and nontraditional uses of nuclear power, and about our role in supporting the transition to a net-zero carbon economy; and I can tell you, none of that has changed. In fact, the developments in our industry over the past year further support our belief that there is durability to demand that I'm not sure we have ever seen in our industry before.

Uranium Market Fundamentals
“Best Ever”

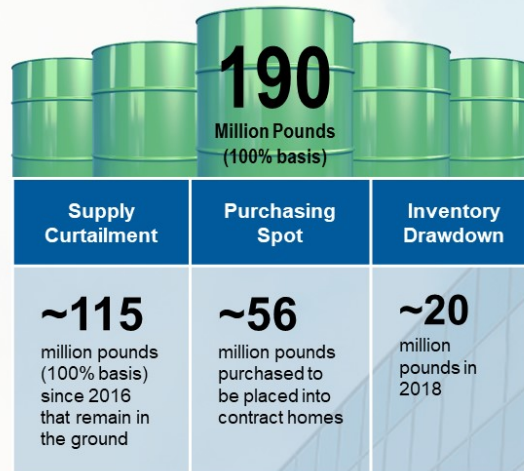


Risk is shifting to

Producers	Uranium Customers
<p>Durable demand:</p> <ul style="list-style-type: none"> • Decarbonization & electrification • ESG focus creating electron accountability • Traditional demand improving (near, mid, long-term) • Non-traditional demand (SMRs and advanced nuclear reactors) <p>Demand from financial investors driven by intrinsic value of clean energy uranium</p>	<p>Uncertain supply:</p> <ul style="list-style-type: none"> • Low prices caused: <ul style="list-style-type: none"> • Supply curtailment • End of reserve life • Lack of investment in supply • COVID & global supply chain challenges <p>Origin risk: geopolitical & trade policy issues</p> <p>Development risk: unproven assets, cost inflation & schedule delays from COVID & global supply chains, increasing regulatory and ESG scrutiny, inflation</p>

The fundamentals are pointing to a transfer of risk from the suppliers of uranium fuel to the users. The thinning of material available in the spot market and the growing uncertainty of supply has led to the recognition that uranium prices need to rise to reflect production economics, the economics that will be needed to ensure the availability of reliable and sufficient productive capacity to fuel a growing demand for carbon-free baseload nuclear electricity. We have seen a nearly 40% increase in uranium spot prices since a year ago and a 22% increase in the long-term price, and that of course is good news for us.

Fueling Demand
Cameco's Strategic Decisions



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We believe that our actions have contributed to the growing security of supply concerns in our industry. As a result of our planned and unplanned production cuts, our inventory reduction, and our market purchases, we have removed more than 190 million pounds from the market since 2016.

As a commercial supplier, our decisions have uniquely positioned Cameco with demonstrated tier-one assets, strategic tier-two assets, and vertical integration, to capitalize on the increasingly undeniable conclusion that nuclear power must be an essential part of the clean energy transition.

Improving Uranium Market Fundamentals The Next Phase



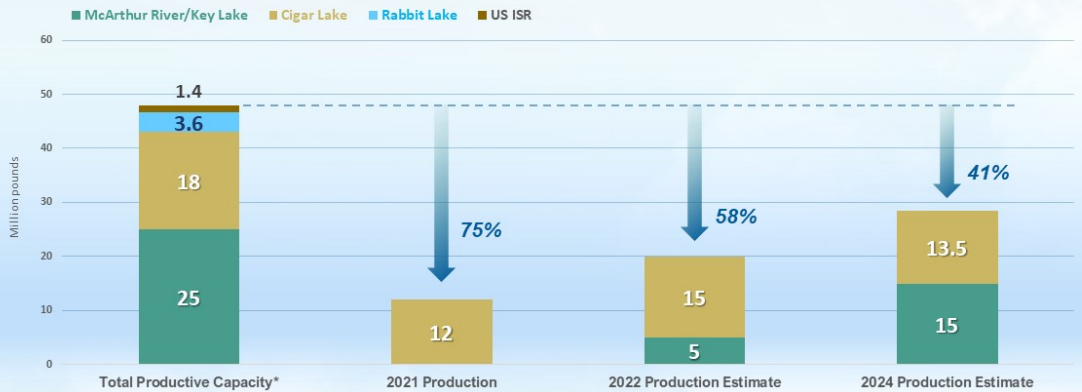
Contract Portfolio and Pipeline	Operational Readiness and Flexibility	Rewarding Investors
<ul style="list-style-type: none"> • Growing contract portfolio and robust pipeline • 70 m lbs in long-term contracts since beginning 2021 • About 185 m lbs since 2016 	<ul style="list-style-type: none"> • Preparing assets for operational readiness and flexibility • Remain aligned with market and contract portfolio – need to see further improvement • 2024 planned production about 40% below productive capacity (100% basis) 	<ul style="list-style-type: none"> • Rewarding those who have supported our strategy • Announcing 50% increase to 2022 dividend

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Today, I am pleased to tell you that with the improvements we've seen in the uranium market and the success we have had in putting 70 million pounds of new long-term contracts in place since the beginning of 2021, it is time. It's time to claim our incumbency advantage and proceed with the next phase of our supply discipline decisions in alignment with our contract portfolio, and the market opportunities. It's time to reward those who understand and have supported our strategy, which has laid the foundation to capture the value of the clean energy transition.

Cameco's Supply Discipline Planned and Unplanned

Annual Capacity vs. Production (100% basis)



* Productive capacity includes licensed capacity at Cigar Lake and McArthur River/Key Lake, and it includes planned production volumes at Rabbit Lake and our US operations prior to curtailment in 2016.

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Our plan in no way represents an end to our supply discipline. What we are contemplating for a supply discipline still represents a much greater reduction than any other producer has made. In fact, we are continuing with indefinite supply discipline. Therefore, we will begin the process of getting our northern Saskatchewan tier-one assets operationally ready to achieve a production plan of about 28.5 million pounds combined in 2024 on a 100% basis. Our plan includes both McArthur River and Cigar Lake operating at less than licensed capacity starting in 2024.

When you consider our idle tier-two capacity, about 40% of our productive capacity will remain subject to supply discipline in 2024. In conjunction with this planned change to our operations, we are also announcing a 50% increase to our 2022 dividend, which will be paid in December of this year.


So, why now you may ask?

With all of our market experience, we are seeing the signposts that tell us it is time to prepare our proven tier-one assets for operational readiness and flexibility because a market transition is taking hold. In addition to the over 160 million pounds, we have under contract in our portfolio, we see a market where the fundamentals are shifting in our favour, and we want to be ready.

Let's take a look at the fundamentals that motivate our strategic decisions. The benefits of nuclear energy have come clearly into focus with a durability that we believe has not previously been seen. This durability is being driven by the accountability for achieving the net-zero carbon targets being set by countries and companies around the world.

Net-zero Carbon Targets Triple Challenge



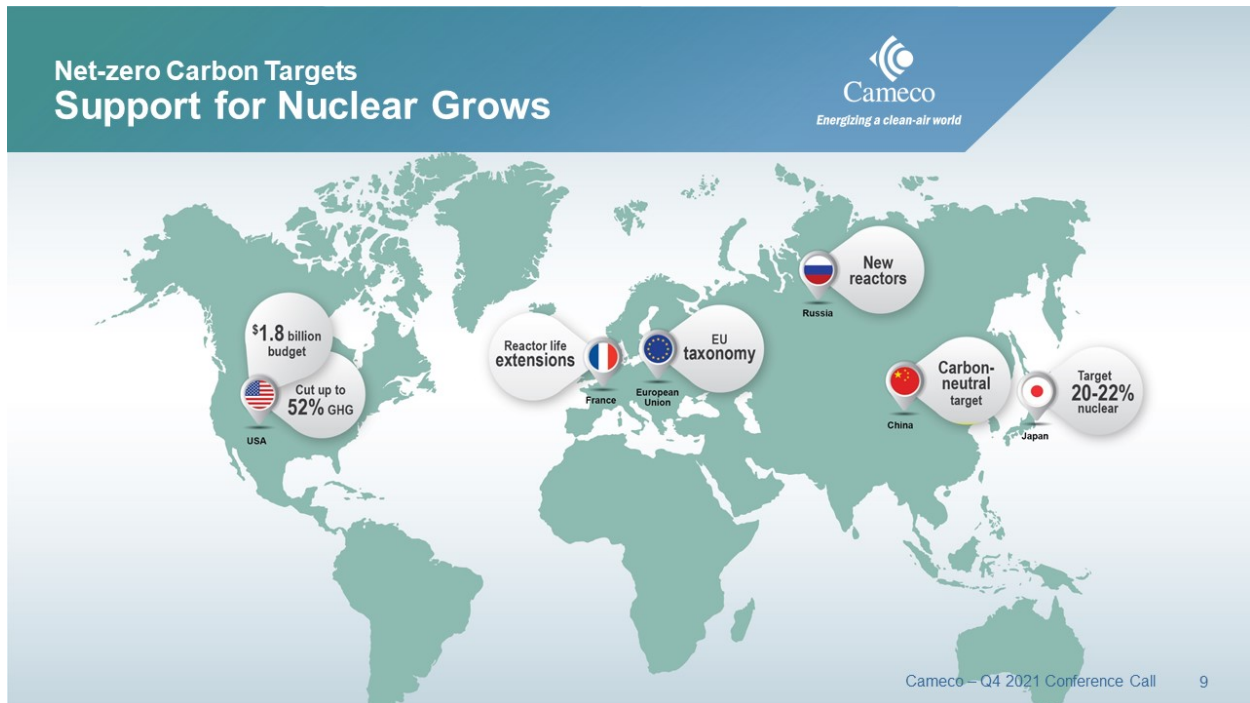
		
Energy Poverty	Thermal Replacement	Electrifying Industry
<ul style="list-style-type: none"> • Lift 1/3 of the global population out of energy poverty 	<ul style="list-style-type: none"> • Replace 85% of grid running on carbon-emitting thermal power with a clean, reliable alternative 	<ul style="list-style-type: none"> • Electrify industries, such as private and commercial transportation, largely powered by carbon-emitting thermal energy today

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These net-zero carbon targets are turning attention to a triple challenge. First, is to lift one third of the global population out of energy poverty by expanding the availability of clean and reliable baseload electricity. Second is to replace 85% of the current global electricity grids that run on carbon-emitting thermal power with a clean, reliable alternative. Finally, the challenge is to grow global power grids by switching industries to electricity, such as private and commercial transportation, home heating, and industrial heating, which are largely powered with carbon-emitting thermal energy today.

Additionally, the energy crisis experienced in some parts of the world has amplified concerns about energy security and highlighted the role of energy policy in balancing three main objectives: providing a clean emission profile, providing a reliable and secure baseload profile,

and providing an affordable levelized cost profile. Too much focus on one objective has left some jurisdictions struggling with power shortages and spiking energy prices.



There is increasing recognition that nuclear power with its clean emissions profile, reliable and secure baseload characteristics, and low levelized cost has a key role to play in achieving decarbonization goals. Several nations like France, the United Kingdom, and the United States, are reaffirming their commitment to nuclear power by developing plans to support their existing reactor base and are reviewing their policies to encourage even more nuclear capacity. Several other European countries like the Netherlands, Czechia, Poland, Estonia, Slovenia, and Serbia, have emerged as candidates for new nuclear capacity.

With this strong support for nuclear energy, the European Union has agreed in principle to include certain nuclear energy activities under a green labelling system in its taxonomy for sustainable finance. Its inclusion will identify nuclear power as a climate-friendly investment and could result in increased investment in nuclear power plants and may also allow a broader array of ESG-focused funds to invest in other segments of the nuclear power industry, including mining.



Even in countries with phase-out policies like Germany, Belgium, and Spain, there's growing debate about the role of nuclear power with public opinion polls showing growing support for nuclear. The growth in demand is not just long-term in the form of new builds, it is medium-term demand in the form of reactor life extensions, and it is near-term growth as early reactor retirements are prevented.

We're seeing momentum building for nontraditional commercial uses of nuclear power around the world, such as development of small modular reactors and advanced reactors, with numerous companies and countries pursuing projects. It's easy to conclude that demand outlook is durable and very bright.

Uranium Market Fundamentals Uncertain Supply

- Low prices have led to **supply under-investment**
- **Current and new production** at risk
 - COVID-19
 - global supply chain issues
 - cost inflation
 - increasing regulatory and ESG scrutiny
- **Origins matter:**
 - geopolitical risks, trade policy risks

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However, the uranium supply side-story paints a much different picture. Persistently low prices have led to planned supply curtailments of existing productive capacity, development risk due to lack of investment in new productive capacity, and the end of reserve life for some mines. In the past, secondary supplies have filled the 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, and the related global supply chain and inflationary challenges that are interrupting the flow of goods and services in the uranium market. We've seen this both here in Canada and in Kazakhstan.

They're further intensified by the thinning of the spot market due to the interest in physical uranium by investors that are purchasing significant volumes of uranium and sequestering it, by the increasing ESG scrutiny of suppliers to ensure utility supply chains qualify as green, by the deepening geopolitical and origin-risk driven by the increasing concentration of supply, and a trend toward regionalization to ensure the availability of critical minerals. 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've seen in a very long time.

**Operationally Flexible Supply Discipline Key
Align Production with Market and Contract Portfolio**

Cameco a demonstrated tier-one producer with proven tier-one assets

Spot is NOT the market	Long-term value focus
<ul style="list-style-type: none">• We do not plan production for spot exposure• We are typically over-contracted and are net spot buyers, not sellers• We align production with contract sales commitments	<ul style="list-style-type: none">• Diversified, commercial supply• Proven reliable and responsible supplier• Productive capacity underpinned by contract portfolio• Growing contract portfolio & improving pipeline on- and off-market – stretching through 2030s• Investing in operational flexibility• Financially disciplined

Marketing, Strategy Execution, Operations, Financial

Cameco

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Key to this improvement has been the alignment of productive capacity with the market cycle, something we as a responsible producer understand and have made a significant part of our strategy.



Always motivated by the uranium market fundamentals, our strategy of full-cycle value capture has had a significant impact on the positive market dynamics we see today. We've been undertaking work to ensure we have operational flexibility, and we're aligning our production decisions with the market fundamentals and our contracting portfolio, and we have been financially disciplined. 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 is unrivaled.

The curtailment of our tier-one and tier-two assets have inventoried almost 115 million pounds of uranium in the ground since 2016; including our partners share, more than 150 million pounds of uranium that are worth much more in today's market. In addition, with our spot and term purchasing, we've taken 56 million pounds of uranium out of the market since we began curtailing production. In 2018, we drew our inventory down by about 20 million pounds.

Just step back for a minute and consider where the market might be today had we not taken these actions. Had Cameco not acted strategically and decisively, almost 190 million pounds would still be above ground and trying to find a home in the market. The spot market would still be significantly oversupplied. Financial and other investors would not have taken notice of uranium. We've been through every market transition in our industry.

Uranium Market Fundamentals

Full-cycle Value Capture

Energing a clean-air world

Great assets necessary but not sufficient to capture full-cycle value

Spot Market	Long-term Market	Incumbent Producer Advantages
<ul style="list-style-type: none"> Thinly-traded One-time, discretionary volumes <p style="color: #00728f; font-weight: bold; margin-top: 10px;"><i>Productive capacity missing the long-term contracting cycle leads to value-destructive, spot-exposed sales</i></p>	<ul style="list-style-type: none"> Full-cycle value created through long-term contracting Production capacity must be flexible and timed to align with contracting cycle Multi-year requirements layered in during periods of above replacement-rate contracting Leverage to greater returns as prices increase and protected for periods of low prices 	<ul style="list-style-type: none"> Utilities prefer proven reliable suppliers - tier-one assets demonstrated not promised Licensed/permitted assets market-aligned with contracting cycle Diversified sources and vertically integrated services Proven ESG performance

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While having great assets is a necessary condition for creating long-term value, we know that it is not sufficient. We understand that the spot market is not the fundamental market in our business. It is a very thinly traded market where small volumes can have an outsize 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.

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 commodities cycle by having leveraged to greater returns as the price increases, and that provides downside protection for periods of lower prices.

In our business, there's no substitute for a full-blown utility-driven, long-term contracting cycle. A contracting cycle motivated by security of supply concerns drives value capture in the uranium fuel market, 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.

It's why we're critical of those who promote a strategy to build productive capacity, fully exposed to the spot market. Having been in this business now for 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.

The higher prices discovered during a contracting cycle drive investment in higher-cost sources of production, which due to the lengthy development timelines, miss the contracting cycle and ramp up after demand has already been captured by the incumbent producers. The new uncommitted supply exposed to the small discretionary spot market sets in motion a price off cycle and becomes value destructive.

Finally, after more than 10 years in a trough and through the deliberate and disciplined execution of our strategy, aligning our productive capacity with market opportunities, we are



seeing the cycle form. As the spot market continues to thin, utilities are beginning to shift their attention to securing material for their uncovered requirements, and not just in off-market negotiations.

Increased interest in on-market, long-term contracting is emerging as well. The request for proposals we are seeing are directed at those producers who have proven and reliable productive capacity to date and who have a track record of honoring commitments.

The leading utilities understand that a tier-one asset is demonstrated, not just discovered and declared. They've learned from history that relying on new development projects showing up on aggressive timelines and budgets promised is not a proven strategy. They understand that banking on a resource that still faces technical, regulatory, stakeholder, project, and operating challenges in an inflationary supply chain-challenged environment, puts their future reactor operations at significant risk.

As an independent commercial supplier, we can provide our customers with access to proven and reliable productive capacity. The substantial Canadian productive capacity, our supply meets increasingly stringent ESG requirements. It can provide diversity from state-owned enterprises and help to de-risk utilities future supply from trade policy exposure.

Let's look in more detail at the plans we have for our productive capacity. If you recall last quarter, I said that when the day comes to announce that the return to operating status in McArthur River and Key Lake is on the horizon, it will be undeniably positive news for Cameco and all of our stakeholders, and we believe for the market.

Well, today is that day. We're laying claim to our tier-one incumbency advantage as we further position the Company to capture the value we expect to come from the growing demand for safe, clean, reliable, and affordable nuclear energy.

Increasing uranium prices and a growing contract portfolio are giving us line-of-sight to return to our tier-one cost structure. We're seeing the conditions develop that will allow us to deliver uranium from our proven assets under long-term contracts that we expect will create value and sustain a stable nuclear fuel cycle to support growing demand, and we want to be ready.



As a responsible producer, our production plan will remain aligned with the market. It entails a portfolio approach to our tier-one capacity in northern Saskatchewan. We expect the investments we are making in digital and automation technologies will allow us to operate these assets with more flexibility. This flexibility is key to our ability to continue to align our production decisions with our contract portfolio commitments and opportunities.

With about 185 million pounds added to our long-term portfolio since 2016, including 70 million added since the beginning of 2021, we have a solid base of contracts to deliver our planned production into. It is not destined for the spot market. The market-related contracts in our portfolio together with the large inventory of uncommitted pounds we have left in the ground, give us plenty of exposure to further improvements in the market.

To get started, we will begin the process to transition the McArthur River Mine and Key Lake mill from care and maintenance to operational readiness, to allow us to produce 15 million pounds per year on a 100% basis by 2024. That is 40% below the annual license capacity.

Once the McArthur River/Key Lake operation reaches its planned production, starting in 2024, it is our intention to pull back on production at Cigar Lake. The plan is to take production at Cigar Lake from 18 million pounds per year, down to 13.5 million pounds per year on a 100% basis, or 25% below its license capacity.

It'll take us some time to ramp up at McArthur River/Key Lake. We must complete some critical projects, perform maintenance readiness checks, and recruit and train sufficient mine and mill personnel before we begin operations. Over the course of 2022 and 2023, we will undertake all of the activities necessary to ramp up to achieve our 2024 production plan.

As a result, this year, we could produce up to 5 million pounds of uranium on a 100% basis at McArthur River/Key Lake. At Cigar Lake, we expect to produce 15 million pounds on a 100% basis, 3 million pounds less than its licensed capacity.

Our production outlook reflects the expected impact of delays and development work at Cigar Lake in 2021, and the ongoing pandemic and supply chain challenges that are impacting the



availability of materials, reagents, and labor, at all of our operations. However, we will work to minimize any disruptions to our operations this year.

Financial Strength Transitioning to Tier-One Run-Rate



Next phase of our supply discipline

- Categorically positive for Cameco
- Expect improving margins and cash flows
 - More tier-one production
 - Fewer spot purchases
 - No longer expensing care and maintenance costs or operational readiness costs once a reasonable production rate is achieved
 - Market-related portion of contract portfolio leveraged to higher uranium prices
 - Uncommitted in-ground inventory leveraged to higher uranium prices
- Enviaible balance sheet and positioned to self-manage risk
 - Opportunistic investment in nuclear fuel value chain
 - 50% increase to 2022 dividend

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We expect that our operational decisions at McArthur River/Key Lake will have a significant and positive impact on our financial performance.

As you know the financial aspect of our strategy is to ensure that we have a solid balance sheet and the ability to self-manage risk. At the end of the second quarter, we were again in a negative net debt position with \$1.3 billion in cash, \$1 billion in long-term debt, and a \$1 billion undrawn credit facility. Once production at the McArthur River/Key Lake operation resumes, we expect to begin to see a significant improvement in our earnings and cash flow.

As production ramps up to the planned level, the operational readiness costs incurred will decrease, and we will be able to source more of our committed sales from lower cost produced pounds. As well, the higher prices that are being discovered in the currently improving market will flow through our existing contract portfolio.

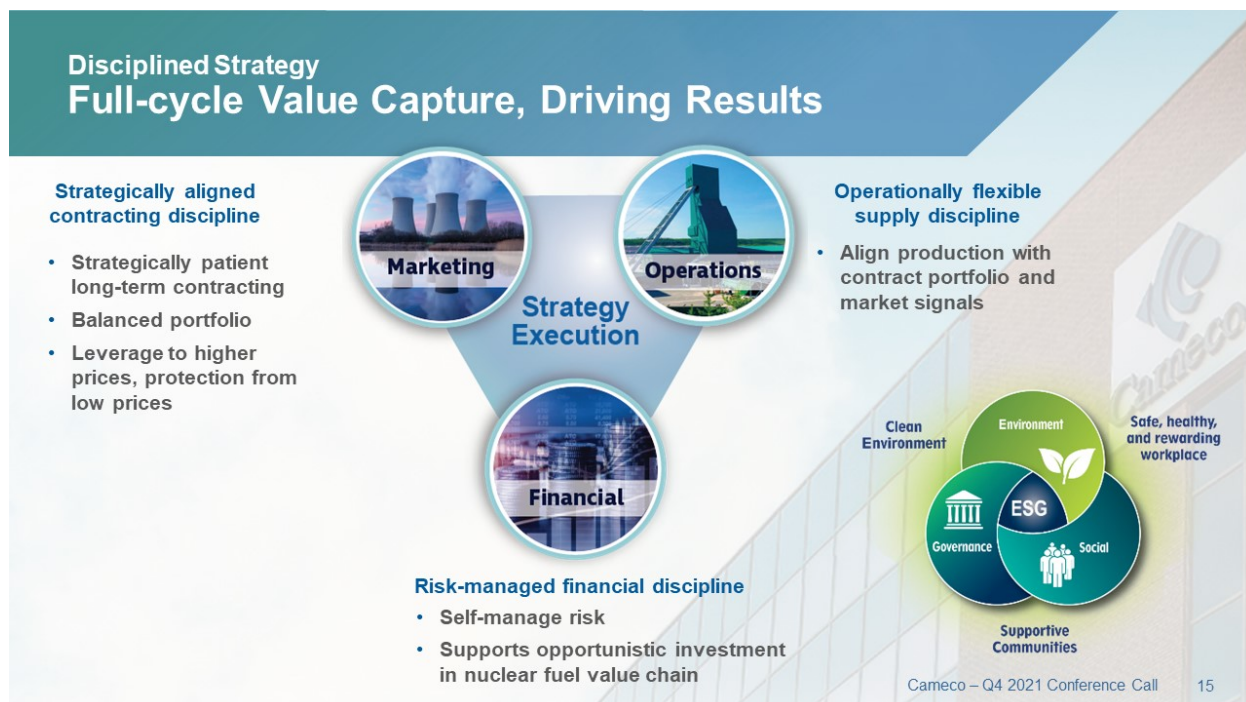


With an inventory of unencumbered tier-one and tier-two pounds in the ground, rising prices will also create the opportunity to layer in new long-term commitments with appropriate pricing mechanisms that will underpin the long-term operation of our productive capacity.

With the court process in our dispute with the CRA confirming unequivocally that Cameco consistently followed the rules and complied with both the letter and intent of the law, we still expect \$295 million in cash and \$482 million in letters of credit to be released to us. We just don't know when, so we continue to work on that.

As such, we expect to have the financial capacity to execute on our strategy and self-manage risk, including from global macro-economic uncertainty. Therefore, we're pleased to reward those who have supported our strategy. Our Board has approved a dividend of \$0.12 per share to be paid in December, up from \$0.08 per share in 2021.

What does all this mean for Cameco? Well, it means we're optimistic. We're optimistic about the growth in demand for nuclear power, both traditional and nontraditional; we're optimistic about the 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 embark on the next phase of our supply discipline strategy. We will continue to do what we said we would do.



So, what is it that we're doing? We're aligning our production decisions with our contract portfolio and the market fundamentals, we're being strategically patient in our marketing activities, we're conservatively managing our balance sheet to ensure we can execute on our strategy and self-managed risk, and we're rewarding those who understand and have supported our strategy.

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. We will be very disciplined in our evaluation on that front.

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. As the uranium market improves further, our focus is shifting to securing homes for our in-ground inventory that has not yet been committed. 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've seen some of our competitors do.



The primary driver for our contracting activity is always value. Therefore, as the market improves, we expect to continue to layer in volumes, capturing greater upside using market-related pricing mechanisms.

However, we recognize there's a cyclical to our business that is inevitable. That's 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. We also locked in significant value for our fuel services business in the recent price transition and conversion.

We're more than just mining. We're vertically integrated across the nuclear fuel cycle with refining conversion to fuel fabrication. Additionally, we are 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 to encompass the full nuclear fuel cycle.

Through our fuel manufacturing capabilities and investment in Global Laser Enrichment, we're exploring fuel fabrication of new fuels, including high-assay low-enriched uranium, or HALEU. We're also participating in the development of small modular reactors and have entered a number of non-binding arrangements to advance their commercialization and deployment in Canada and around the world. And we have an interest in the nuclear sustainability services, the backend of the fuel cycle, including aiding in the responsible cleanup of enrichment facilities no longer in operation.

These opportunities align with our commitment to manage our business responsibly and sustainably, and to increase our contribution to global climate change solutions. Our decisions are deliberate. We are 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 have determined that our strategy, which includes contracting discipline, operationally flexible supply discipline, 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.

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

The slide features the Cameco logo and tagline 'Energizing a clean-air world' on the left. In the center, 'Q&A' is written in large blue letters. Below this, 'Investor Relations' is written in blue, followed by contact information: an email icon for 'investor_requests@cameco.com', an envelope icon for '2121 11th Street West, Saskatoon, Saskatchewan', and a globe icon for 'cameco.com/invest'. At the bottom left are logos for 'CCO LISTED TSX', '25 YEARS', and 'CCJ LISTED NYSE'. The bottom right corner of the slide contains the text 'Cameco - Q4 2021 Conference Call' and the number '16'. The background of the slide shows a brick building with a glass facade and the Cameco logo on the wall.

OPERATOR:

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

Webcast participants are welcome to submit questions through the box at the bottom of the webcast frame. The Cameco Investor Relations team will follow up with you by email after the call.

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

OREST WOWKODAW:

Hi. Good morning. I'm curious if we could get some more details on your plans to restart McArthur River. I know, in the past, you talked about needing, I guess, to presell the majority of



the future pounds from McArthur. I'm just curious if your philosophy there has changed or whether you're seeing enough with respect to recontracting, including, I guess, the 40 million pounds you've signed year-to-date of long-term book. Any additional colour there in terms of what's prompting you to restart early relative to the contract book?

TIM GITZEL:

Yes. Orest, it's Tim. Thanks for the question. No change to our strategy at all. We are doing exactly what we said we were going to do. We've been saying it for years now that we are going to prudently manage the Company in the best interests of our stakeholders. We won't add to an oversupplied market. We're not going to produce for inventory. We have homes for our production.

So, you've seen some of the sales commitments we've taken on in the last years but especially in 2021. They have allowed us to take a look at McArthur and decide when we're going to move to the next phase of our discipline strategy, which is to get that going. You see by 2024, we plan to continue to exercise discipline at Cigar Lake and at McArthur. We have homes for our production, Orest.

I think, every day, and I'm looking at Grant, we talk about how many sales should we have now versus how much open non-commitment should we have going forward? We want to be open going forward, and we get people saying, "Well, you don't have enough committed sales now," and then you have others saying, "You have too many committed sales now." So that's both sides. We think we've taken a really prudent approach to that. We have homes for everything we produce, Orest.

Grant, I don't know if you want to add anything to that.

GRANT ISAAC:

Tim, I think it's the absolute right message. Obviously, if there's a takeaway on the market side from Tim's comments today, and the message we want to leave in the market, is that we're saying a transition is underway, a transition that is a security of supply-driven transition. It's not as bold a call as you might think because of course UxC and Trade Tech, World Nuclear Association have been saying the same thing, but we're clearly seeing it underway. There are



certainly really important indicators that suggest that's the case. We're in the early innings of that transition. For us, it is about balance and it is about discipline.

On the contracting side, Orest, it really is a measured patient approach to contracting success, with a diversified base of customers building a best-in-class book going forward but not being sold out. Now is not the time you want to have a volume strategy and trying to be pushing volume. With experience in every market transition, let me just say we're exactly where we want to be.

OREST WOWKODAW:

Okay, and Grant, if I can follow up. You've disclosed that you've sold, I guess, or added 40 million pounds to your long-term contract book in the first month of this year. That's more than the 30 million pounds of all of last year. Can you maybe give us some colour on what's changed as the calendar is rolled forward here?

GRANT ISAAC:

Yes, a couple of things that I think are important to draw out. First of all, the backdrop is the fundamentals, you can't escape that. The understanding that almost on a daily basis, the outlook for demand is improving, and almost on a daily basis, the outlook for supply is becoming more uncertain as we think about the risks to existing productive capacity and the even greater risks to bringing on new capacity in a world where there still is a pandemic, and that pandemic is creating absenteeism and productivity issues and supply chain issues and inflation and all of those other things. It's just making that supply picture even more uncertain, and so there's a gap.

I think it's just the general recognition that that gap is getting bigger, and so we've been talking about for some time our pipeline, and this is clear evidence that when we say in our pipeline between origination and execution, we've got a lot of pounds under discussion, this is clear evidence of exactly what we mean.

Some of this was contracting that—not just measured in months or quarters, but years. These were long discussions and long negotiations. In others, we're starting to see a bit of urgency, and we're starting to see folks come to the market quickly and look to do a deal quickly.



I would note three characteristics of this market that I think are important to draw out.

Number one is we're seeing tenors increase. Back in the days, when carry trade was really defining the term price, we were seeing a lot of term business that was kind of inside that two-to-five-year window, where utilities, quite smartly, wanted to make sure that there was some carry trade material in competition with produced material in that window.

Now we're seeing the tenor stretch out: RFPs in the market and off-market contracts looking for more than 5 years of material; in some cases, 10 years' worth of material. The market's stretching back into that classic term space. That's a super important fact.

Number two, we're seeing volumes increase. We're seeing utilities come to the market, and they're wanting to take bigger bites out of the market. Instead of several 100,000 pounds, we're seeing several million pounds at a time being taken out of the market. Tenors are increasing, volumes are increasing, but probably most interesting is we're seeing timeframes increase. By timeframes, I mean the years in which production is being called for.

In Q3, I referenced that some of our negotiations actually spanned the 2030s, all the way through to the end of 2039. We're seeing that in the market today. We're seeing utilities looking for production out in a window when Cigar Lake will be done; out in a window when according to their own disclosures, a heck of a lot of depletion has occurred in Kazakhstan; out in a window where demand is strong and supply is really uncertain.

These are three really notable changes that I think are behind driving the completion of some of these negotiations; where in a measured, patient way, we've had contracting success, building that portfolio in a diversified way. But make no mistake, the goal here is not to sell out right now because all of the fundamentals suggest there's a stronger price transition to come and we want to be part of it.

OREST WOWKODAW:

Excellent. Thank you.



TIM GITZEL:

Thanks, Orest.

OPERATOR:

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

ANDREW WONG:

Hi. Good morning. Maybe just following on a little bit from that line of discussion, and maybe taking it from the other perspective. I'm understanding you're not sold out, but then also the commentary sounds very bullish for the outlook over the next few years.

Can you maybe just talk about the decision to add volumes now to your contract book, because obviously, that was a lot of volumes that were added in January and Q4, versus maybe waiting a little bit longer? I understand these are contract discussions that you have over several years and it's not as easy as just waiting, but can you just talk about the thinking around that strategy? Thanks.

TIM GITZEL:

Yes. Thanks, Andrew. Let me get our market expert Grant to answer that. Go ahead.

GRANT ISAAC:

Yes. I actually appreciate the pivot to that question, Andrew, because it really highlights the boundary questions that we get. There are those who ask us, "Why contract anything at all? Why don't you just hold out, get all your production ready; hell, even produce some of it and inventory it, and wait till the market is at \$100 a pound and then sell it off?" Well, that's not how the uranium market works. Just by virtue of that strategy, the market would never achieve those prices. Then, we get the other question, which is, "Why don't you sell more? Why don't you have more under contract?" Those are the kind of boundary conditions.

To those who say, "Why contract anything right now?" we say, "Well, this is how the uranium market works." It is not a spot market. It is not a market where you have an opportunity on an annual basis to capture full global demand because it recharges every 12 months. That's not how the uranium market works. The uranium market works where utilities come typically in



waves, and they look to layer in volumes, and they push enough contracting that we hit not only replacement rate, but above replacement rate, and then when they've covered a lot of their demand going forward, they step out of the market and we enter those complacency periods.

For us, it's about responding to the actual market and industrial structure of the uranium space, not to some mythical spot market assumption for creating value in uranium because that's been a failed strategy over and over again. For us, it's about building that balanced portfolio. We talk about it at great length in our MD&A, Page 20—just to just to flag it, please read it—talking about this balanced portfolio.

We build this best-in-class portfolio with a diversified customer base. This permits our supply decisions. We build the homes, then we plan the supply. This also permits support for the long-term value of our assets, and it supports significant financial performance, so that's why we do it now.

To the question, why not be sold out? Well, now's the wrong time to be sold out. We are in the early innings of a market recovery. The uncommitted requirements, 1.4 billion pounds of uranium to be bought over the next 12 years, 13 years, according to UxC. Of course, when you're looking for the uranium component of it, you've got less time to buy. That's a lot of demand that's got to come to the market, and a lot of that demand is going to come our way.

A security of supply transition underway. I talked about tenors. Volumes and timeframes increasing, those are great indicators that suggest to us there's more value, so we want to be deliberately and strategically leveraged. This then morphs over into our balanced contracting discipline is matched by our balanced supply discipline.

The main message to take away here is, yes, McArthur/Key are moving to operational readiness, but the main message is that supply discipline is continuing indefinitely. Supply discipline is now including Cigar Lake. Supply discipline, on a planned basis, is 40% or more of our productive capacity will remain in a disciplined position, and it requires further improvements in the market in order to see us move to increase that production.



Along the way, as this transition happens, we remain over-contracted; we have more sales than we have sources of supply, so we are still going to be a presence in the market purchasing.

For us, it's about balance, and it's about discipline. Our experience with every cycle tells us this is exactly where we want to be.

ANDREW WONG:

Great. That's very helpful commentary. Just a follow up on the production costs in 2024 when Cigar and McArthur are up and running. I think Cameco's been doing some work to kind of improve the efficiency there, so it allows you to do partial ramp-ups, but obviously, like you might not get some of the economies of scale benefits. Can you just talk about the costs in 2024 versus what we have seen historically? Thanks.

GRANT ISAAC:

Well, we obviously don't have guidance on 2024 operating costs out there, but what I can tell you is that our Chief Operating Officer and his excellent team are looking at the life of mine technical report costs and saying, "Here is our marker."

If I just remind everybody on the call that the technical reports that we have outstanding for McArthur, Cigar, and Inkai, on a Canadian dollar basis, have operating costs at \$14.75 per pound at McArthur; \$15.98, so \$16 per pound at Cigar; and less than \$7 per pound at Inkai. If you think about McArthur and Cigar, those are the targets that we're working towards at or better in an inflationary environment, in an environment of difficult supply chain. Those are the targets that we are striving for. You can imagine that we have laser focus on the economic performance of those incredible assets.

ANDREW WONG:

Great. Thank you very much.

TIM GITZEL:

Thanks, Andrew.



OPERATOR:

The next question is from Alexander Pearce from BMO. Please go ahead.

ALEXANDER PEARCE:

Great. Morning, all. It's great to see those contract volumes come through in the last couple of months. I've got a kind of two-part question to those contracts. Obviously, you've stated your target previously, I think it's 40/60 kind of fixed market related pricing portfolio. Maybe you could just comment on how that fits utilities kind of current preferences at the minute and what you've seen. Are they both aligned? Also maybe, given the volume, if you could just kind of comment on why we haven't seen much volatility in the term price yet.

GRANT ISAAC:

Well, to your first question about our portfolio, yes, we have talked about this 60/40 balance, and I'm glad you raise it because it does—I think there's often confusion about what we mean there. We don't mean we want a balance between market related and base escalated in any single contract or any single year.

What we mean is that over the lifetime of the portfolio and full cycle, when our market has gone through one of those security of supply driven contracting cycles but also when our market has lived through those moments where fuel buyers cover a lot of their run-rate requirements and then they step back and we see those periods of complacency, which is just a natural function of the long-term nature of our market, that's where we say we want to be balanced.

So, what we need to think about in today's context is our preference on our pricing mechanism relative to where we are in a cycle. Today, our preference is market related. We see a cycle that's starting to form. Some very important notable indicators - tenor, volume, and timeframes that I talked about; the wedge of uncovered requirements; the supply uncertainty - all suggests that there is still price formation ahead of us. We want to be leveraged to that.

So, our preference right now is very strongly market related as opposed to fixing in today's price, but I would say we're misaligned with a general fuel buyer on that idea because I think the fuel buyers around the nuclear space also recognize that the outlook for demand is improving and the outlook for supply is uncertain. I can almost kind of prove this by just the approach to



the market. We see fuel buyers wanting to lock in prices today because they know the price is going to go up.

If you think about it alternatively, we have a market-related preference at Cameco, and if the fuel buyers believed the price was never going to go up or that it was at some sort of peak right now and it was only going to go down, we would have zero problem signing market-related contracts, because a fuel buyer would say, “Look, I know the price is at or above its peak, it’s only going to come down, so you idiots are taking all of the risk here in the market. So sure, we will sign a market-related contract and over to you.” But that’s not the situation. They look at the fundamentals the same way we do, they see price pressure, and they’re looking to lock it in.

What we find is that the on-market competitive RFPs are greeted by some of the suppliers who are still willing to lock in that value. It’s not us, but others are. So, where we’re having success is in these off-market pipeline discussions that we talk about where there is an understanding that we need this market-related exposure in order to part with our material out into the future.

So we’re are not fully aligned in the market. We are not at one of those full security of supply contracting cycles yet. We are in the early innings of one, which is great news, but we are not fully there yet, and we see that in the data. Seventy-five million pounds of term contracting according to UxC, that’s less than half of replacement rate contracting. A lot of upside, a lot of demand, and that demand is going to bring with it price formation, and we want to be leveraged to that price formation.

That’s sort of how we look at that balance. It’s the pricing mechanism—our preference on the pricing mechanism is a function of where we are in the market today.

The second part of your question was...?

ALEXANDER PEARCE:

It was about why we haven’t seen much of a move in the term price like we have what’s in...



GRANT ISAAC:

Yes, thank you. The term market obviously saw a very significant structural move in the fall as we saw a lot of spot market buying, especially with the presence of financials, and in particular, the Sprott Physical Uranium Trust. We saw a lot of material coming out of the spot market.

That was pushing up the spot price, but more importantly, it was drying up the carry trade. It was drying up those uncommitted volumes that didn't have a home that were splashing through the spot market and became a source of utilities to say, "Hey, I don't have to go into the term market, I'll go into the spot market and find somebody to carry those pounds on a low interest rate carry."

Those pounds began to dry up, so we saw RFPs in the market that were really targeting producers, and we saw producers I think sufficiently disciplined to see the term price push up into the fours. Since then, I think the RFPs have been greeted with a little bit more aggression than we would take in this market, but it does reflect, I think, a couple of things.

I think that a few of the producers in the market probably don't have the same value focus we do and are a little more interested in volume, but also, I think that some of the participants on the sell side of the market don't have experience with every contracting cycle like we do, and I think the third issue is they don't enjoy the off-market pipeline negotiations that we do.

So, I think all of those things are a bit of a combination where the initial push—the response was uranium needs to be priced with a four, and we got there very quickly in the term market, and then we've seen some competition on the on-market RFPs to win that business. Cameco has not been very successful at all in any of that business, but others have been.

We just have to work through this. We just have to work through a few of these volume targets, but here is the good news: 1.4 billion pounds of uncovered requirements, that's a heck of a lot of demand that still has to come into the market.

ALEXANDER PEARCE:

Thanks, Grant. That's really helpful.



TIM GITZEL:

Thanks, Alex.

OPERATOR:

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

GREG BARNES:

Thank you. With all that being said, Grant, do you think you are capturing market share given the events in Kazakhstan and security of supply being front and center as you are saying?

GRANT ISAAC:

Yes, this has been a trend for us. When you and others have asked over the years about this pipeline that we keep referring to, which of course, today, here is the evidence of it, trust us when I say that our pipeline continues to be very robust going forward.

When you've asked in the past, "Well, why would utilities be interested in that?" the answer is a variety of reasons. I think over the years, we've seen a shift to focus on origins because of trade policy concerns. I think that just the globalization trend in the nuclear fuel cycle is under a little bit of pressure, because of trade policy concerns, because of geopolitical concerns, and that has been a factor. We have seen the pursuit of certain origins and more diversity there.

I think that for some of the customer base that we have dealt with off-market, it's a function of bringing balance back into their portfolio. They may have used low prices as an opportunity to fill up on other origins and on other suppliers, and of course, we were very resistant to do any contracting through that window. I think Cameco's share of some of those utilities fell and then they needed us back in their portfolio.

I think this ESG piece, let's not underestimate that one of the things that many of our customers are targeting is the type of financing cost savings that come from green financing, but when you put yourself forward to achieve some of that green financing, you are being judged according to a set of ES&G criteria for which Cameco is super competitive on those criteria. I think we enjoy competitive advantages over others, and that's also a factor.



So, there are a number of things coming together, and I think the geopolitical like you referenced is one, but it's a number of factors that are coming together to drive this ability for us to at a measured and patient rate bring in some contracting success but still retain the leverage to more of it that we see in the market.

GREG BARNES:

That's great. Just back to Andrew's question about the cost, it just seems odd to bring Cigar down, which obviously would be more economic to run at the full capacity and bring McArthur up where at a lower rate it wouldn't be as low as cost. So, just how is that balance being worked out?

GRANT ISAAC:

Yes, I would think about that balance as a portfolio approach. Obviously having one tier-one asset running and the other at zero is a very difficult economic proposition. For us, as we had success in building homes and as we retain leverage to that future demand that's coming, it just makes sense to step back and say, "Okay, having McArthur at zero doesn't make economic sense, but we can't be done supply disciplined yet, so we still have to be disciplined." It's the balance between the two. It's looking at the northern Saskatchewan production as a cluster, if you will, and balancing it with what the Kazakhs are doing in Kazatomprom.

For us this is actually a very attractive scenario to have both assets included. An additional advantage, with Cigar Lake of course, is now the extension of what we've referred to as Phase 1. The Cigar Lake joint venture is now looking at an opportunity to extend the life of that asset, not be forced into a decision about what to do with Phase 2 in a market that's in the early innings of a transition, which of course is a good place to be, and reserve some of those pounds for what we think is a better price scenario anyway.

For us on balance, think of it as a portfolio decision, a portfolio decision that allows us to begin to restore our tier-one cost structure, get out from under those care and maintenance costs at McArthur, but then run both in a very disciplined fashion, balanced with the opportunities we're seeing in the market.



GREG BARNES:

Great. Thanks, Grant.

OPERATOR:

The next question is from Lawson Winder from BofA Securities. Please go ahead.

LAWSON WINDER:

Hi. Good morning. Thank you for the update, and some excitement in our morning with your new contracting announcement. Two questions for me.

First off, I think it would be really helpful to understand the nature of some of the contracting you've done beyond your realized conversion pricing table, so beyond 2026. Clearly, in that table, there are a series of price caps, and that's why at \$140 you expect around \$74 pricing, but when we look out beyond 2026, should we think of the blue sky in similar terms or is there more market related further out?

Along with that, if you can provide any commentary in terms of the 70 million pounds of new contracting, how that looks geographically as well as in light of sort of the type of contracting in terms of market versus fixed would be very helpful. Thank you.

TIM GITZEL:

Thanks, Lawson. Grant, you're on a contracting roll, why don't you keep going?

GRANT ISAAC:

Yes, absolutely. Great questions and thanks for recognizing how our table is constructed, and I want to spend a bit of time on that because I think it's really important and I think it's a source of confusion for a few folks that find themselves commenting on Cameco inappropriately at times.

The contracting nature—I said that the pricing mechanisms that we're pursuing, we have a preference for market related right now, so no surprise what we're really interested in is that market exposure out into the future. So, that's one source of leverage.



The second source of leverage is, of course, the pounds that we haven't sold yet. Remember that our table is constructed in a very specific way, and it's different than others in our industry. Our table only shows our current commitments over the next five years, sort of that lower wedge of what we're going to deliver each year over the next five years that is known to us. The sensitivity in that table does not reflect the unsold pounds in any of those years.

We see others in our market that will construct their price sensitivity table by assuming a top line sales number for example. The lower wedge is what they know they're going to sell, and then they just assume that every pound that's not currently committed in those subsequent years is sold at spot. That's an easy way to construct a table, but we believe it's pretty misleading. It's pretty misleading because as we constantly say, the spot is not the market.

If you had a primary producer, who in years four and five were planning on selling over 70% of their production in some cases, in the spot market, you would never achieve the higher prices that the table is supposed to be showing sensitivity to. We don't construct our table that way, so that's a really important thing to note.

Secondly, of the contracting that we're having success with a lot of it is falling outside that table, and that goes back to my comment about tenors and timeframes increasing. So, we're seeing demand out beyond that five-year window, so of course that's not included in there as information. Our table at any one point in time is like trying to take a snapshot of a moving train, and in this case, I would say a bullet train that's going very fast, and we are kind of just trying to freeze it in time and give you an idea what that performance of the table looks like.

We have a market-related preference, and we want the market-related portion of our committed sales to capture higher prices, but really, it's also a story of the pounds we haven't sold, which will be sold in we think a market that's a stronger transition. So those two things together is actually how you measure our true sensitivity rather than assuming that table applies for all the pounds out in the future, even the ones that aren't committed.

That contracting table is—we think it's the right way to construct it. It takes a bit of work to understand it, but we appreciate when those folks make that investment and take the time. It really does capture where that leverage point is going to be.



On the 70 million pounds of contracting, just in terms of characterizing it, again, we build a balanced portfolio, so you think about a number of things. Pricing mechanism matters to us, not necessarily the price today but the mechanism by which we are going to price those pounds. We have a preference for market related. Our interest is not to price the pounds right now, it's to price them in the market in which they're going to be delivered.

I would say that we have been very clear about that and we've had success in making sure that there is that market-related exposure for those pounds out into the future, but in a market like we are in today, you almost think about a breakpoint where over the next couple of years—if we saw demand right now in sort of '23, '24, '25, you'll still have a bit of competition from some carry trade. You do see a bit of pricing in today's markets in the early part of some of the contracting structures that are being successful in the market, and then you see a reversion to production economics afterwards or more market-related indicators afterwards.

That's just how the uranium market works. You could hold your breath underwater and say, "Well, we're just not going to participate in this market," but then you run the risk that you are going to let other important aspects of your balanced portfolio walk by: regional diversification, customer diversification, product diversification. What you never want to be in the uranium market is overweight one region or one customer or one product form.

You want to construct with the market as demand comes, but you want to retain the leverage that reflects your view of where the fundamentals are at. That's how you build full-cycle value from balanced contracting discipline, and then that informs your supply decisions. Now you plan your supply to meet where you've built homes. That's how value is created.

LAWSON WINDER:

Thanks for those comments. I would also like to get an idea for what the bullet train might look like in 2022 in terms of contracting. Speaking to industry sources that we have, indications are that contracting is expected to continue to be very strong for the remainder of 2022. What would your expectation be or what kind of guidance can you provide us in terms of additional contracting that could be possible in 2022?



GRANT ISAAC:

You're probably picking up significant optimism in our comments, and you would be right in interpreting us as being optimistic on where the market is at. We know that in the uranium space, contracting begets contracting. When there is very little contracting going on, it sort of confirms the view of some that they don't have to worry about where their uranium supply is coming from in the future, but when you start to see contracting success, and when you start to see the future production not yet pulled out of the ground already being claimed, that tends to then motivate others to say, "Hey, I need to lay a claim to some of those pounds too."

You don't have to look any further back in the uranium space than in 2010, when we saw the big new entrant to the market, the Chinese step into the term market for the first time. It wasn't that the rest of the utilities were short material in 2011, 2012, 2013, 2014. It was that China stepped in to start contracting material largely 2014 to 2024 when the rest of them hadn't kind of paid much attention to that window, and then that triggered a real contracting cycle to lock in volumes.

I see nothing today that suggests that the current cycle is any different. We know contracting begets contracting, as we have success, and I would note that Kazatomprom in a recent disclosure talked about the success they're having in contracting. These are all future pounds that are being claimed in a window where there is a lot of uncertainty about supply, and the demand outlook is improving.

We are quite optimistic on what the prospects for contracting are in 2022. We know that our own pipeline continues to be robust, and hopefully, with the results you see today, people trust us when we say that. So, we are optimistic, Lawson.

LAWSON WINDER:

Okay. Thank you very much.

TIM GITZEL:

Thanks, Lawson.



OPERATOR:

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

BRIAN MACARTHUR:

Good morning. My first question is, and I applaud for sharing the price over volume strategy, but how do you—it's probably taking a maybe a little longer than you first thought, so the care and maintenance costs build up every year. How do you think about that when you go to customers now? So, for instance, say, I thought originally, I wanted \$45 a pound and now it's taken me two years longer, so I've absorbed another \$200 million in standby costs, do I try and sell that same pound at \$48 now a pound versus \$45 to balance out shareholders getting an additional return for the longer wait? Is that how you sort of think about it in the context of the market as well?

The second part of that is with that in place, spending roughly \$60 million for your tier-two assets, and I get it, there is some diversification with source Grant which you've talked about. How do you think about how long you're willing to do that, because obviously, those pounds won't be quite as profitable coming forward?

GRANT ISAAC:

Yes. Great questions as always, Brian. Let me start with the first question on how we think about the sunk costs of care and maintenance versus price discovery in the market. I would just say, we look at our strategy as an investment. Our supply discipline strategy was an investment in the future value of our assets. On a top line basis, the 114 million pounds, the 115 million pounds that we've left in the ground, since we started our extreme supply discipline, you would have priced it at what, \$18 a pound in the spot market at the time of making those decisions, and today, you're going to price it in the mid-\$40s? That's a very significant value capture. Ours has been a very smart investment to leave those pounds in the ground and wait for a window where they're going to be priced higher.

So, that's kind of how we think about the care and maintenance costs as an investment on the future value of our production, but in terms of pricing it, we have a market-related preference, as opposed to a fixed price preference at the moment. We could engage customers on the basis of, well, here is where the fixed price would need to be in order to cover those sunk costs, but I would just say, we're probably a little greedier than that.



We look at a market that needs a lot of new production to come. That new production needs a higher price signal. It needs a price signal that's going to support greenfield investment. We would actually love to achieve a lot more greenfield investment pricing for brownfield tier-one assets because we love the margin prospect there.

So, less about kind of covering our costs and more about maintaining exposure to a market that we think prices need to rise to pay for the productive capacity that needs to be there, and we're happy to take those prices for proven permitted assets, and that's kind of the way we look at the first part of the question.

In terms of the tier-two, obviously, we think about—there's a Super Bowl coming up and the team that wins has got to have both a good offense and a good defense, and we think about those tier-two assets in a very similar way. They're optionality.

We have seen in the past during security of supply contracting cycles—remember, Brian, Rabbit Lake has been down before, and during the contracting cycle, utilities were willing to pay prices that brought Rabbit back before taking the chance on greenfield projects that all of the technical, all of the regulatory, all of the capital, all of the operating commissioning risks still were ahead of those projects.

During a security of supply contracting cycle, we see utilities actually supporting proven permitted assets first, and so there's optionality there. Also, we've had the opportunity over the years probably to part with these assets, but if we parted with these assets and they were in the hands of somebody who didn't have a value strategy and who just turned them on and jammed that material into the spot market, that would be the wrong move too, so they factor into kind of that overall investment that we're making in the future value of the portfolio. There's offensive optionality, there's defensive protection when we think about those assets.

BRIAN MACARTHUR:

Great. Thanks. Maybe let me just go to another comment that was made talking about—and we've certainly seen secondary supply coming down, but looking forward, I think it was said, we expect that maybe to go lower, and I am kind of curious—but maybe I misheard that.



Obviously, as price goes up, there's changing and underfeeding and stuff too, but you also have this opportunity to possibly process some pounds through the U.S. deal you have, the tails and stuff. Are you including that material going forward in that statement that secondary is going down, or do you think MOX is going down, or any comments on how you sort of see the secondary going the next few years in the context, as I said your opportunities with secondary?

GRANT ISAAC:

Yes. I am going to jump in on this one and apologies to everybody on the call for monopolizing all the time on these issues, but with secondary supplies, this is a great part of the story, because remember, the price transition that occurred—go back to the Cigar Lake inflow event as a supply shock or even the demand shock of 2010 that I already talked about, the Chinese stepping into the tier market for the first time.

Those price transitions occurred when there was a heck of a lot of secondary supply still kicking around and a heck of a lot of inventory, but we actually don't have that profile anymore. That HEU material is all gone. Some of those big sources of inventory have been chewed through, and I think that makes sense because we have been consuming a lot of material off of existing contracts and not going back in in replacement rates.

While secondary supplies have always historically filled the gap, the prospect of them playing that role going forward is greatly diminished. If you just look at the supply stack and whether it's—and you named a few, whether it's the inventories that we see from governments that—remember the famous DOE inventory. I mean, there is a moratorium on that right now, and besides, if they were still trying to sell materials, there just isn't much left anymore. It wouldn't even be material in today's structural gap between demand and primary production.

The Western enricher underfeeding—you've heard me say for some time now, this isn't an underfeed story anymore. Yes, enrichers underfeed, and they use some of that underfeed uranium to sell into term contracts supportive of their enrichment contracts, but we don't see enricher underfeed in the spot market. It's not a factor there. It's not a source for it. The reprocessing material, we just see that declining over the next 10 years. We're just chewing through that material.



Then of course, that big black box of the material that comes out of Russia and whether it's tails re-enrichment, underfeeding government stockpiles, no matter what it is, just that entire supply just declines over the same window. You've got the secondary supplies that have always filled the gap in the market, can't fill the gap in the market the way they have before.

When we look at the DOE re-enrichment of the UF6, we think of that more as not secondary supply, but actually that's a U.S. mine is in fact what it is, and that's probably the best model to think about it.

BRIAN MACARTHUR:

Do you assume that you are going to be able to do that in the next five years to 10 years?

GRANT ISAAC:

We think that is a great project. It's a project that still has some technology readiness issues in front of it that need to be worked on, but as a source of supply, as a source of potentially U.S. origin supply, it is very attractive and features well into some of the things I talked about earlier like the regionalization of supply and geopolitical concerns. We are supportive of that project. It has a ways to go. It's not at the front of the line ahead of McArthur and Cigar, obviously, but it is a good project.

BRIAN MACARTHUR:

Great. Thanks very much for all the details. I appreciate it. I'll pass it on to someone else.

TIM GITZEL:

Sounds good, Brian. Thanks a lot.

OPERATOR:

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

GORDON JOHNSON:

Hi, guys. Thanks for taking the question. I guess first off from the presentation, it seems like the net addition of capacity is relatively small when you also factor in the reduction of Cigar Lake. I just wanted to get your comments there.



Then additionally, correct me if I am wrong, but it seems like all the additional capacity you are adding is currently accounted for, meaning none of this additional capacity is going into the spot market. If you could address those two, and then I have a few follow-ups.

TIM GITZEL:

Gordon, yes, you are absolutely right. When we bring McArthur back on, we're bringing it back on—we hope to be in 2024 at about 15 million pounds. You'll recall, five years or six years ago, when we were running it—I mean it has licensed capacity to 25 million pounds. We ran it at 20 million pounds for a while and then backed it off to 18 million pounds in 2016, and then we shut it down in 2017.

In conjunction with that, when McArthur gets up and running, and that's a couple of years to get it going, we plan to bring Cigar down from its 18-million-pound capacity, as Grant mentioned, to 13.5 million pounds, a significant reduction. That fits with our strategy of supply discipline going forward. The added benefit for Cigar Lake is that it gives us a little extra time when we're producing 13.5 million pounds instead of 18 million pounds to look at the future of Cigar Lake and extra resources and reserves that we can bring into the picture to keep that unit running into the 2030s.

Yes, we will continue as Grant has said with our supply discipline. Every day we look at our sales and our production, and we try to be consistent. We actually underproduced for the sales we have, which makes us go out and buy in the market. So, I can tell you we have a home for every pound we produce, and we're going to keep it that way.

GORDON JOHNSON:

Okay, that's helpful. Correct me if I am wrong, but it seems like—so your contracted volumes, it seems like in 2021, 38% of your contracted volumes since 2016 were signed in 2021 alone. So, this seems like—again, correct me if I am wrong, this seems like a catalyst that at least my team has been waiting for, for a while.

I know this question was touched on before but in previous contracting cycles, it's typically not just one year of contracting. So when you consider—and it's a long-winded question, but when you consider that Europe just labeled nuclear and natural gas sustainable investments, and the



comments from the Energy Secretary in the U.S., do you guys expect additional contracts in 2022? Can you also address if maybe some of these Chinese nuclear facilities are starting to re-contract?

TIM GITZEL:

Well, let me start, and then Grant's covered the marketing piece, and so I'll turn it back to him. We are certainly seeing good signs on some of the areas you mentioned. I mean the U.S.—if you look at 2021, that was really a pivotal year for nuclear and for the U.S. with the change in Administration.

Whatever you have to say about them, the first move they made was to sign back onto the Paris Agreement and then hold an Earth Summit and sign the Infrastructure Act. They're working on the Build Back Better Act, and there is a lot of support for nuclear, like support that we haven't seen for decades in the U.S., and being a world leader, that's good news.

Here in Canada, we are seeing support. You've got Bruce with their major component replacement, you've got OPG, the same thing. OPG picking a spot for an SMR at Darlington. Good news.

You mentioned Europe. We've been fighting that fight through the WNA and through FORATOM on the taxonomy of nuclear, trying to have nuclear included in the green taxonomy, and guess what? First day of this year, we found that it was going to be included.

So, lots of good tailwinds right now for nuclear. That just bolsters and reinforces the comments we made at the start of this meeting. On the demand side, we see demand growing and we don't just feel it, we can see it. We can see the numbers that WNA and IEA put out showing a growth in nuclear demand, which is good news for our business.

The Chinese—you mentioned China, I mean that is a great story. They have 50 reactors today. They are going to 70 reactors. So, if you can even imagine that: 20 new reactors in 5 years, 70 by 2025, and we have seen from some of their organizations, well over 100 by 2030.



Then you start asking where is the supply coming from at a time when supply is going down? Remember, we started 2021 with COMINAK going down and Ranger going down, and so yes, the supply-demand fundamentals are really setting up nice for the industry, and then of course during the year, you had some spots and other juniors come in and buy a significant quantity of uranium and put it away.

So yes, I think the market is setting up very nicely, and it's in this context that we expect to add to our portfolio going forward.

GORDON JOHNSON:

Okay. Actually, one last one if I could. Can you guys talk about the impact to, I guess, the fundamentals? Clearly, these contracts are being signed at much higher prices. Can you go into at all how we should think about the effects on margins and cash flow? Also, I guess is there any other—not other, is there any potential headwinds you see out there? It seems like this is quite the positive call. Do you see any negatives out there that could trip you up? Thanks for the questions.

TIM GITZEL:

Yes. Thanks, Gordon. I will just say—and then I'll turn it to Grant on the finance, but this is undeniably positive for Cameco financially, both the earnings and cash flow going forward. After some tough years in the trough that our shareholders have stuck with us, we are hoping to reward our loyal shareholders going forward.

GRANT ISAAC:

We keep using the term, Gordon, balanced and disciplined, and we apply it to balanced contracting discipline, balanced supply discipline, and balanced financial discipline. In keeping with that notion, the decisions to bring in some contracts really underpins that book of business going forward, the 160 million pounds that we have in front of us that supports our planned production, which by the way, the main message there is supply discipline is continuing indefinitely, not productions all back on no matter what. We're still looking for further market improvements, and then the balanced financial discipline.



Yes, we're announcing today that our owners need to share in the improved business outlook and the improved book of business, but we're still managing in a conservative way from a financial point of view because we still have to support strategic patience in our contracting discipline as we wait for that demand to come and those improvements to come. We still have to support continued supply discipline. We're not going to run McArthur at capacity, we're not planning to run Cigar at capacity out into the future. Again, that balance is across all three dimensions of our strategy, but unequivocally supportive.

Remember, our investment in our strategy financially had two big impacts. One was the care and maintenance costs of keeping pounds in the ground, and I've already referenced those pounds are worth a lot more than they were the day we made that decision. The second was purchasing material at a much higher cost than we could produce it for. So, as we build homes and as we restore production, even if it's not at full capacity, we're anticipating significant improvements to cash flow and earnings, so unequivocally supportive for us. We are going to do it in a responsible way, a disciplined way that is supportive of the market.

GORDON JOHNSON:

Thanks again, guys.

TIM GITZEL:

Thanks, Gordon.

OPERATOR:

The next question is from Patrick Sojecki, a Private Investor. Please go ahead.

PATRICK SOJECKI:

Hi. Thanks for taking my call. I have two questions. The first one is—I asked this in late-2020, you guys said you would release an updated Cigar Lake Technical Report in 2021 and you never did, so I am wondering if there is a reason for the delay. And kind of tying it into the other analysts' question about the cash costs, in 2024, with a lot of other commodity companies having cost overruns, how do you expect those to stay the same? Are you basically saying whatever automation is done is going to negate any increases? So, that's my first question, if someone wants to address that one.



TIM GITZEL:

Patrick, thank you for the questions. I am going to answer the second one and I see Brian Reilly is here, and I'll just get him to update on the Cigar Lake Technical Report. You talked about costs in 2024. Obviously, we're looking at costs, we're concerned about costs like everyone else is. You're seeing inflation, you're seeing supply chain issues across the board. This isn't just Cameco, I can tell you, it's in every industry, everywhere.

Labour, availability of labour, all things we're watching. We think we have a competitive advantage in northern Saskatchewan in that 50%-plus, and we are going to make it as plus as we can, of our employees are indigenous people from the region that live up there. We are delighted to be bringing them back.

Our digitization and automation efforts, we think will bring us benefits, cost benefits, reducing the costs of our operations, making them more flexible. We're pretty excited about that.

I was in a meeting the other day—Business Council of Canada—and they were talking about capital projects, new capital projects on brownfield, and they said, "If you've got a feasibility study that's more than six months old, you might as well throw it in the garbage because things have changed that fast." We're fortunate to be on greenfield here with the experienced workforce, and we've got an existing team that we're going to add to, and so we're quite excited about the future there, but let me ask Brian to just give an update on where the Cigar Lake Tech Report is at?

BRIAN REILLY:

Sure. Good question. The Cigar Lake Technical Report dates back to 2016, and really nothing has changed in terms of the technical parameters, the mining methods, the financial analysis, so it might be six years old but it's still valid. Quite frankly, it has a shelf life, we believe, of a few more years yet. No plans today or even in the immediate future to update that report. It's valid. It was valid then and it remains valid today.

RACHELLE GIRARD:

Patrick, I might just add in the AIF annually, we do update sort of that cost profile. So, you see that annually, and that comes out in March.



PATRICK SOJECKI:

Okay. Yes, I was more interested in—there was something like 60,000 meters to outline the resources in Phase 2 better, but I guess you said you are kind of putting that on the backburner anyways. So, thank you for that.

The second question, maybe Tim, you could speak a little bit from your experience at Nutrien, as well as sort of taking some cues from energy and oil stocks with this still record level of cash—and I get you guys are financially conservative, but would you say possibly that this, I guess, token dividend increase sort of marks maybe a sustained dividend growth strategy? Would you say you could commit to something like that at this point or not yet?

TIM GITZEL:

Well, thanks for that, Patrick. I haven't yet had experience with Nutrien. I do sit on the Mosaic Board, however, so they would be happy for me to make that correction, I'm sure. But listen, yes, around the block, obviously, we're sitting on a little over—I look at Grant, I think it's \$1.33 billion in cash and in short-terms now that we've got. Thank goodness, nobody asked us about the CRA because my blood pressure gets going pretty good when you do that, but that's still out there. We're looking at recovering I think it's \$295 million of cash from them and about \$482 million in creditor balance sheet space.

With our new strategy, our continuing discipline strategy, we are going to be adding both earnings and cash flow. So, you are right, the question is a good one. Capital allocation, I can tell you, our Board spends a lot of time thinking about this. Grant and his team are obviously responsible for it. The decision taken this quarter was to increase, 50% increase to the dividends, clearly sustainable for us, and no new decisions from there. We'll see. We are off on a new path now. We've got a lot of work to do up in northern Saskatchewan, not easy bringing those facilities back on, but we're confident we can do it.

If the future unfurls the way we think it will, we will have significant capital allocation decisions to make going forward, and we'll certainly keep you and the market informed as we progress.

PATRICK SOJECKI:

Great. Thank you.



TIM GITZEL:

Yes. Thanks, Patrick.

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:

Okay, well, thank you, Operator. With that, I just want to say thank you to everybody who has joined us on the call today. We certainly as always appreciate your interest and support.

Let me just conclude by saying we are excited about the future that we're seeing for nuclear power generation. We are excited about the fundamentals for uranium supply and demand, and we're excited about the prospects for our Company as we embark on the next phase of our market aligned strategy.

We say this every time and we won't stop, we're a responsible commercial supplier with a strong balance sheet, long lived tier-one assets, and a proven operating track record in line-of-sight to return on our tier-one cost structure. At Cameco, we are well-positioned to respond to the changing market dynamics and benefit from the long-term growth we see coming, driven by the need around the world for safe, reliable, affordable, and carbon-free baseload electricity.

We will continue to do what we say we will do: executing on our strategy and consistent with our values. We will do so in a manner that we believe will make our business sustainable over the long term, and we will continue always to make the health and safety of our workers, their families, and their communities our priority.

With that, thanks everybody. Stay safe and healthy and have a wonderful day. Thank you.

OPERATOR:

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