# Cameco Corporation

# 2020 First Quarter Results Conference Call

# Transcript

**Date:** **May 1, 2020**

**Time:** **8:00 AM ET**

**Presenters:**

**Timothy Gitzel**
President and Chief Executive Officer

**Grant Isaac**
Senior Vice-President and Chief Financial Officer

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

Cameco


**OPERATOR:**

Welcome to the Cameco Corporation First Quarter 2020 Conference Call. As a reminder, all participants are in listen-only mode, and the conference is being recorded.

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

**RACHELLE GIRARD:**

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

We are doing things a little differently this quarter. For the Q&A portion of the call, participants will be in a listen-only mode. We are trying this approach to alleviate some of the challenges many of us have had trying to dial into calls from multiple locations. We have collected questions from our sell side analysts and have included common questions we've been hearing from the investment community over the past few weeks.

As always, our call will focus on the trends we are seeing in the market, and on our strategy, not on the details of our quarterly financial results. If you do have detailed questions about our quarterly financial results, or if we do not answer your question during the Q&A session, 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, at cameco.com; or you can use the Submit Question tab on the webcast, and we will be happy to follow-up after this call.

With us today on the call are Tim Gitzel, President and CEO, Grant Isaac, Senior Vice President and CFO, Brian Reilly, Senior Vice President and Chief Operating Officer, Sean Quinn, Senior Vice President, Chief Legal Officer and Corporate Secretary, and Alice Wong, Senior Vice President and Chief Corporate Officer. Tim will begin with comments on our strategy and the market. After we will move to the Q&A portion of the call.

If you joined the conference call through our website Event page, there are slides available, which will be displayed during the call. The slides are also available for download in a PDF file through the Conference Call link at cameco.com.

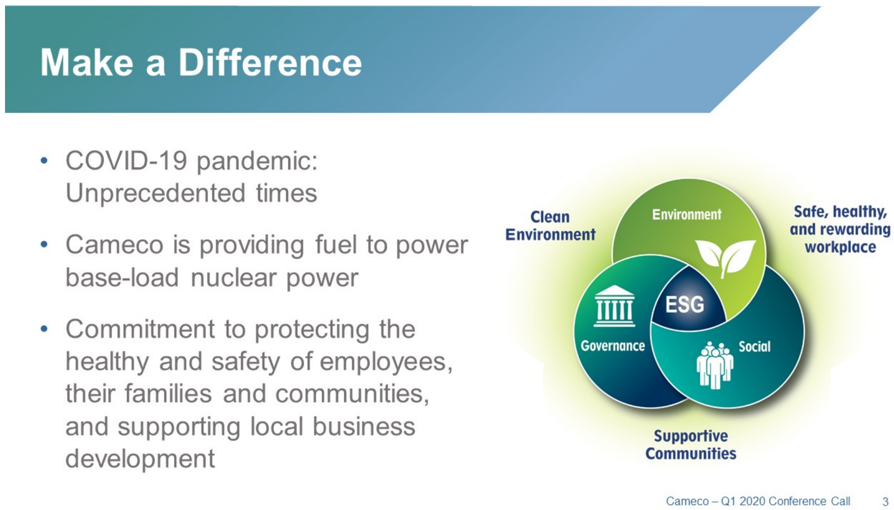

Please note that this conference call will include forward-looking information, which is based on a number of assumptions, and actual results could differ materially. Please refer to our Annual Information Form and MD&A for more information about the factors that could cause these different results and the assumptions we have made.

With that, I will turn it over to Tim.

**TIMOTHY GITZEL:**

Well, thank you, Rachelle, and welcome to everyone who has joined us today.

As Rachelle noted, we're doing something a little different on the call today, so I will keep my remarks quite brief, and then we'll move to the Q&A.

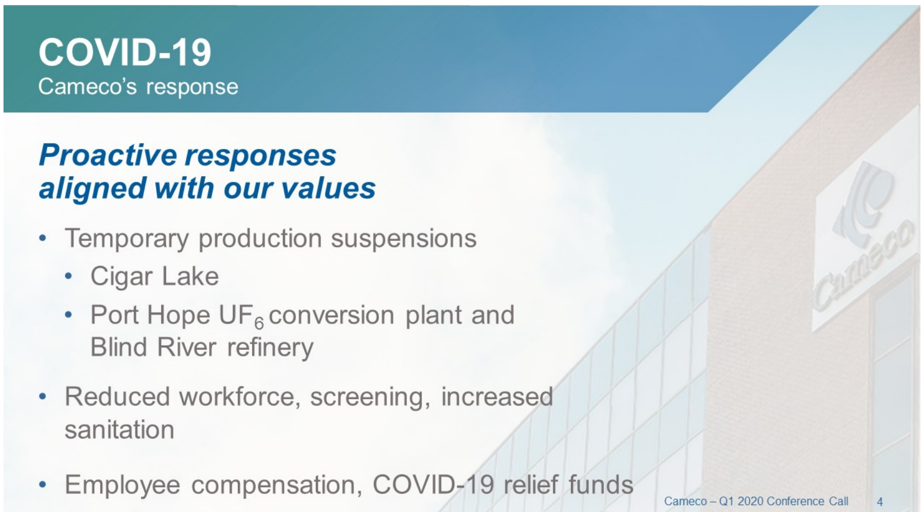



We are living in unprecedented and challenging times. The impact of the COVID-19 pandemic is something we've never before experienced in our lifetime, and it transcends any one family, community, business, government, or country. In fact, it's changed our world. I want to take a moment to thank all of the people who are working on the frontlines every day to save lives, keep us safe, and ensure we have the services essential for our daily lives.

Considering the sacrifices these individuals are making, I encourage everyone to do their part to help where they can, no matter how big or how small the contribution. I'm proud to say that at Cameco we're committed to doing our part to make a difference. Today, Cameco is providing the fuel required to power the nuclear reactors, part of the critical infrastructure needed to ensure hospitals, care facilities, and other essential services are available to us during this pandemic.

But perhaps more important is our more than 30-year commitment to protecting the health and safety of our employees, their families, and their communities, and supporting local business development. In these uncertain times, perhaps more than ever, it will be critical that we continue to work together to build on the strong foundation we've already established.




That is why, consistent with our values, you have seen us proactively make a number of necessary decisions to protect our employees, their families, and their communities, and to help slow down the spread of the virus.

It's why, in addition to all the safety protocols we've put in place, we've suspended production at Cigar Lake and at our Port Hope $UF_6$ conversion plant, and the Blind River refinery. It's why we continue to provide compensation for our employees who are not working, thereby alleviating the stress of having to rely on over-taxed government assistance programs. It's why we set up COVID-19 relief funds totalling $1.25 million to help our communities in Northern Saskatchewan and Ontario navigate through this difficult time. Embedded in our decisions is a commitment to addressing the ESG risks and opportunities that we believe will make our business sustainable over the long-term. As I said at the outset, the impacts of COVID-19 are unprecedented, but we expect our business to be resilient.


Why do I say that? As you know, for many years now, in the face of an uncertain uranium market, we began implementing our strategy on three fronts: operational, marketing, and financial.


On the operational front, we've cut costs, and in 2016, we began curtailing uranium production, reaching a point in 2018 where our annual production was well below our annual delivery commitments.

We've also faced some potential unplanned supply interruptions as a result of labour negotiations. As a result, we've highlighted that production is a variable, both due to planned and unplanned events. We've pointed out before that, due to supply curtailment, the market was as vulnerable to an unplanned supply shock as it had ever been. Therefore, in our strategic planning activities, we spent time thinking about and planning for different production scenarios.


We've modeled the potential impact of these scenarios on our business, so we at Cameco are equipped to deal with this unplanned event. Although we are not providing a revised outlook, let me be clear, COVID-19 has not had a material impact on our deliveries to-date, nor do we currently expect it will materially impact our remaining 2020 delivery commitments. That's not to say there's no risk to our deliveries. However, in our view, the biggest risk is likely more of a timing risk. We continue to expect our customers are going to need uranium. We will work with them to help meet their delivery needs during this time so they can continue to reliably generate the power their communities will need to manage successfully through this crisis.

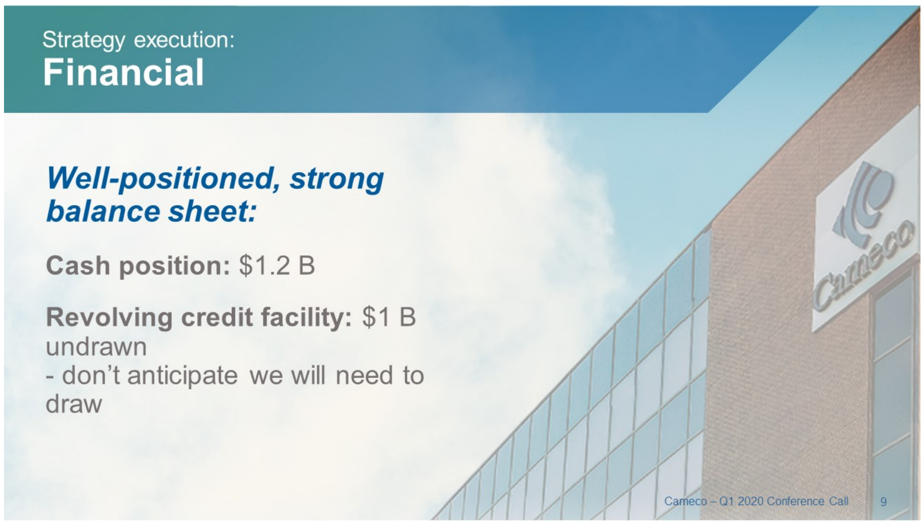
Transportation of uranium is an external risk we face, but remember, a lot of uranium sales are done by book transfer, not physical delivery. Where there is physical delivery, it is sent by truck, and at times by ship, and the volumes transacted are relatively small given the high energy content of our product.

It's true that, as a result of our strategy, we have become reliant on market purchases of uranium to fulfill our delivery commitments, but that is a deliberate choice. The fact that we have had to temporarily suspend production at Cigar Lake and at the $UF_6$ plant in Port Hope does not change our strategy. Yes, it potentially costs us more in the near-term, and we have been upfront about the impact our purchasing activity is expected to have on our margins. Why did we make the choice to rely on the market for supply?


It's because we believe that, over the long-term, it will add significant value for our shareholders and other stakeholders, and allow us to operate in a sustainable manner for years to come. It is true that as uranium prices increase, purchases become relatively more expensive than production. However, as long as the near-term cost of purchasing is less than the added value we expect to capture under our strategy, we are better off purchasing.

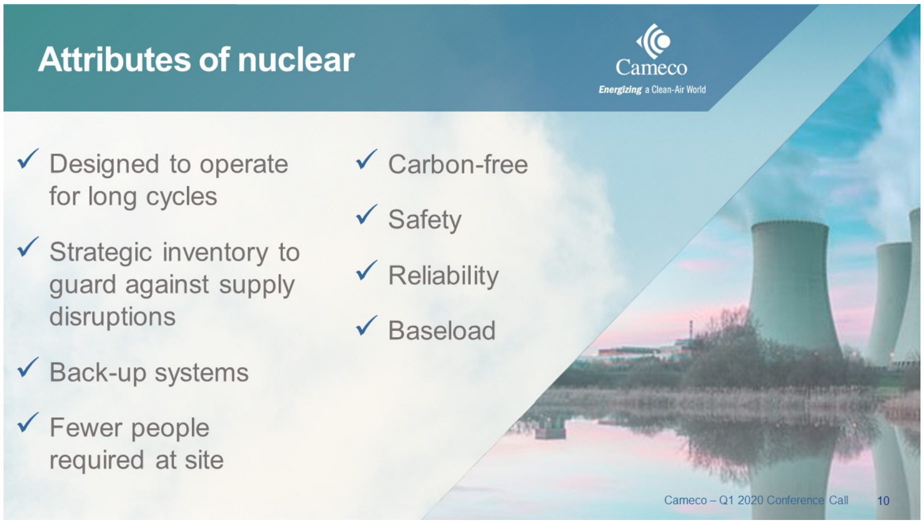
Where does that added value come from? First, it comes from preserving our Tier 1 assets. It comes from delivering into market-related contracts in our existing contract portfolio at higher prices. As prices rise, we believe it sets up the conditions necessary to allow us to layer in new long-term contracts at prices that recognize the value of our Tier 1 assets. This is how we build long-term value. We preserve Tier 1 assets to deliver into a long-term contract portfolio.

To strengthen our strategic resolve, we have been disciplined. We have made prudent and deliberate decisions to shore up our balance sheet. As a result, we have the tools we need to deal with the current uncertain environment.




We are well-positioned to self-manage the risk associated with the temporary suspension of production at Cigar Lake and in Port Hope. We have $1.2 billion in cash and an undrawn credit facility, which we don't anticipate we will need to draw on this year. Relative to a year ago, our ability to service and retire our debt has improved.

Looking back a year, there are a couple of other things I want to highlight that we believe strengthen the resiliency of our business. On the demand side, relative to a year ago, nuclear is very clearly back in the policy toolbox due to its carbon-free attributes. Since 100% of our products go to producing clean, carbon-free electricity, we are a growing part of the solution to the clean air and climate change crisis.




And now, in the face of a public health crisis, we believe nuclear is once again proving its worth due to some of its key safety and reliability attributes.

First and foremost, it is baseload. It will run reliability 24 hours a day, allowing hospitals, care facilities, and other essential services to continue to operate uninterrupted. In addition, nuclear reactors are designed to operate for long cycles without the need to refuel. They carry strategic inventories to guard against supply disruptions. They have a number of backup systems for safety and reliability, and fewer people are required at-site to run the operations. In the current environment, all of these characteristics make nuclear power a logical choice. So, as I said earlier, our customers will need uranium.


In contrast, on the supply side, things are less certain. COVID-19 has disrupted global uranium production, adding to the supply curtailments that have already occurred in the industry due to the lack of production economics. The industry is reliant on supply that has become highly concentrated, both geographically and geologically. This concentration has given rise to a number of trade issues over the past few years, including the Section 232 investigation in the U.S., the Nuclear Fuel Working Group, the review of the Russian Suspension Agreement, and Iran sanctions.

As we have now seen with the report from the Nuclear Fuel Working Group, these trade issues have raised concerns over the role of state-owned enterprises, and have placed an increased focus on the importance of supporting the regional supply of critical minerals, including uranium. Therefore, today, on balance, we think the risks to supply are greater than the risk of demand. Which is why we have seen the uranium spot price increase by more than 35%, from $24 to over $33 since the start of COVID-19 supply disruptions.

Inventories, which have been blamed for low prices in our industry, will come into greater focus as a result of the unplanned supply disruptions. Some utilities may have to rely on their own nuclear fuel inventories as a result of the disruptions to production, and we may see an acceleration of the destocking that was already underway in our industry. For years, we've been hearing about large inventories of uranium. We'll now get a sense for the mobility of these inventories.

As history has taught us, and as we have seen recently in the conversion market, though inventory in our industry may appear high, its mobility tends to be inversely related to the price of uranium, which can further exacerbate supply disruptions. Even if there is a large destocking of inventory as a result of the production disruptions, these are one-time volumes that will be cleared from the market, and in the meantime, it may allow us to make our purchases more cheaply.

Over time, we expect this will create a renewed focus on ensuring the availability of long-term productive capacity to fuel nuclear reactors. We expect this renewed focus on security of supply will provide the market signals producers need, and will help offset the near-term costs we may incur as a result of the temporary disruptions to our business. These are some of the reasons why we expect our business to be resilient.


In this uncertain time, we will continue to do what we said we would, executing on our strategy as we navigate our way through. We are a responsible, commercially motivated supplier with a diversified portfolio of assets, including a Tier 1 production portfolio that is among the best in the world. Our decisions are deliberate, driven by the goal of increasing long-term shareholder value.

Thanks to everyone for joining our call today. With that, we will move into the question-and-answer portion of the call today, which, as Rachelle mentioned earlier, is in a listen-only mode today.


**RACHELLE GIRARD:**

I'm going to start. The first question is one that's come from investors that we've been hearing a lot over the last few weeks.

Tim, there have been a lot of changes in the uranium market since the beginning of March. How has your thinking about the market changed, and what trends in supply and demand are you seeing relative to a year ago?

**TIMOTHY GITZEL:**

Well, there's been a lot of changes in everything since the beginning of March. I think the whole world is upside down. That said, if you remember back just two months ago, the topic of the day was not COVID-19 or the coronavirus, it was climate change. Climate change, clean air, $CO_2$

reduction, Greta Thunberg; those things aren't gone. They're still around. Sure, we've shut everything down, and the air's a bit cleaner now, but it's all temporary. It's coming back, we're coming back, the economies are coming back. We didn't solve climate change. When economies start again, emissions are going to start going up again, and we still have the same problems we had before.

This is where I believe and I've been in this industry my whole life pretty much. This is where nuclear can play a great role: safe, clean, reliable, carbon-free electricity. I think the world's got a great chance now, with the economic stimulus money and the shovel-ready projects, and the money that's going to be floated into infrastructure, to really put it into a clean, green energy infrastructure which includes nuclear. I think there's a real possibility, and there's a real good place, a good role for nuclear to play going forward.

On the uranium side, obviously, we've also seen a lot of change in the last couple months. Demands remain strong, for us. Nuclear reactors are still running and providing that reliable electricity that we expect from them, keeping hospitals and ventilators and health care facilities running. That's all good.

The supply side is a lot more precarious, as everybody knows. You've seen the price moving, at least the spot price. Even before COVID-19, we were seeing concerns with supply. We had, and I mentioned them in my comments, trade issues, the 232, that's about a year and a half out; the Nuclear Fuel Working Group role on state-owned enterprise, all of those things are floating out there. Now, we're having real supply issues; Canada, Kazakhstan, Namibia, all having supply issues due to COVID-19.

I'd say it's really an interesting space. I was just saying to some of the team earlier, they've been doing this for three or four decades, and I've seen fires and floods and tsunamis and earthquakes. Didn't have a worldwide pandemic in the cards, but we have one today, and we're dealing with it. It's kind of a different world we're living in right now.

**RACHELLE GIRARD:**

Okay. Thanks, Tim.

The next question comes from Alex Pearce at BMO Capital Markets. His question is, what are you seeing in the spot market? How much material is available? Have you seen many utilities competing for this spot market material?

**TIMOTHY GITZEL:**

Well, we're certainly seeing a lot of movement, a lot of action and activity in the spot market. I would just say, Grant and his team have been absolutely neck deep in the market over the past few months, so I'm going to ask Grant to speak about the market and just what we're seeing. Grant?

**GRANT ISAAC:**

Yes, sure. It's rather a broad-based demand that we're seeing in the spot market, which explains why it's been a steady inflationary trend that has now withstood, I would say, two normal month-end game playing that can sometimes go on in our industry, both March month-end and April month-end have now come and gone without taking any trajectory off that spot demand. It's, of course, producers, and we're among them, that are looking to cover their committed sales in the face of both planned and unplanned supply discipline.

We've seen some utility purchase; I wouldn't say it's the dominant part of the spot market. I think it's important to understand that our customers are not free of concerns about COVID and are focused on their own pandemic planning right now, but we have seen some utility demand in the spot market, for sure. We've seen some financials with a growing interest in the market. I think the other theme is we're seeing sellers retreat.

You've heard us say before that historically, in our market, willingness to sell or the mobility of material tends to be inversely related to the price, and when the price goes up, we see folks less willing to part with material. This steady, broad-based inflation in the spot market we expect to continue. You know that our goal has been to buy material very strategically, in the product form we want, in the locations we want, and quite frankly, in the timeframe that we want. You heard us say, at Q4, and you also heard us say throughout 2019, that we were not finding a very deep market when it came to pounds that were in a can or in a canister and available today. I think what this market transition is showing is that that's true.

**RACHELLE GIRARD:**

Great. Thanks, Grant.

The next question comes from Greg Barnes at TD Securities. In a recent interview, Kazatomprom's CEO suggested that the role of traders in the uranium market would change significantly, without surplus material available to them. Moreover, he indicated that the midterm market could shrink, and that utilities could be pushed back into the term market. Does this correspond with your view?

**TIMOTHY GITZEL:**

Thanks, Greg. Grant, do you want to take that one as well?

**GRANT ISAAC:**

Yes, I read with interest the comments that were made by the CEO of Kazatomprom, in part because they were absolutely true, but in part because I think it really expressed a sentiment that many of us have had, that that carry trade business that the traders were involved in was a function of an oversupplied spot market. As long as the spot market was being used for surplus disposal in a low interest rate environment, you were going to see the temptation to buy material off the spot market and just price it forward on the carry trade.

That enabled the maturing of a bit of a midterm market in our industry, but it also eroded term demand. It filled in the early years of term demand, and I would say bought our customers more time to contemplate what their procurement should be. But as we move into a market where primary production is well below annual demand, and where we see secondary supplies playing less and less of a role, the availability of that material isn't there. I think my earlier comments on the tightness that we're seeing in the spot market reflected by that consistent upward trend, is just a reflection of that.

I echo some of the questions. It's not clear to me where traders are going to get material from in order to continue with that midterm business. To the extent that the financial interests that have funded that carry trade in the past don't have the liquidity that they're willing to put at risk in the carry trade, well, that's going to impair it as well.

Then you could see the opening up of more classic term demand as we know it in our industry, which would be a very helpful development, because of course, traders can't offer that term material. They're not producers. They can't offer the long-term security of supply; they don't have a production base. They're just borrowing from the market, if you will.

Then of course, once you start to eliminate that temptation for carry trade, perhaps we'll see some of our competitors be less aggressive with their pricing for term business, because they won't have a sense they have to compete with that spot carry trade anymore and maybe we can see the kind of discipline that's necessary to see pricing out along the production cost curve, not the spot carry trade. I welcome those comments, and I think they were really accurate.

**RACHELLE GIRARD:**
Great, thanks, Grant.

The next question is also from Greg Barnes at TD Securities. The Ux term price increased this week to $33 per pound, but Ux noted that no term activity has occurred. Was the price increase just based on a hunch?

**GRANT ISAAC:**
Well, I think it's a reminder for us and for everybody that's in this industry and watches this industry, that we do have price reporting, but we don't have price discovery. Some folks know it in some commodities. We have neither the frequency nor the volumes where you can truly discover a price on a minute-by-minute basis like you can in some other commodity.

Price reporting involves judgment, to be sure, and I think this is just the flipside of the result that we saw with their last month reporting, where you saw Ux increase the spot price, increase the three-year price, increase the five-year price, talk about the risks of unplanned supply disruption in the market, and then lower the term price by a dollar. I think it just reminded people that they apply judgment, and so this is a judgment call. It's a judgment call that's obviously made to keep pace with the fact that that five-year price, in our industry, is now just about touching $40. That's a very helpful marker for us and for those who have Tier 1 idled capacity.

Then I think when we just compare the different price reporters, it might be a little too simplistic to say it this way, but I think one of our price reporters, Ux, tends to apply judgment based on yesterday, and the other price reporter, TradeTech, I would say probably applies judgment based on tomorrow. That's just kind of a consistent of doing it, but if you've been staring at low prices for a long time, then you're going to always see low prices, until, well, they're no longer low, or if they start to transition.

Yes, there's judgment at supply, and I think this is just the flipside of the judgment that was applied last month.

**RACHELLE GIRARD:**
Thanks.

This next question is one that we've been getting quite a bit over the last week since the Nuclear Fuel Working Group report came out. What are your thoughts on this report, and will it benefit Cameco, and does it change your thinking about your U.S. assets?

**TIMOTHY GITZEL:**
Well, as everyone knows, I think we reported in the past, we're very involved in the Section 232 business that was going on, which transitioned into the Nuclear Fuel Working Group, and the report came out a few days ago.

I would have to say, we're very pleased with the tone of the report. I thought the Secretary of Energy, Dan Brouillette, did a brilliant job of just laying out the U.S. support for nuclear, which has been lacking, I would say, in the past. We haven't seen that blatant as the Secretary put out, and then the support for the fuel business, the frontend of the fuel cycle. Yes, we were very pleased in that regard. Clearly, nuclear energy to play a big role; I think he was very honest in saying that the U.S. has taken a step back in the world and some other countries have moved ahead, and he wants to regain that territory. The President wants to regain that territory. That was all super positive.

Lacking a bit in details. I think more to come on that. We'll wait and see just how it's going to be implemented. But I can tell you, with about a billion dollars of investments in the U.S., we're well-placed to take advantage of this new appetite for more nuclear and for support for the frontend of the nuclear fuel site. We were happy about it. One thing we asked was that production not be subsidized to compete with production we've taken off the table and make a bad situation worse, and we didn't see that. We see that any production that will be called for will be sequestered, and so that was a good news piece.

Overall, we're quite happy with the report, and we're waiting for more details to see how Cameco can play.

**RACHELLE GIRARD:**
The next question comes from Oscar Cabrera at CIBC. How significant is the announced reduction in CapEx production due to COVID-19, and how quickly can this production come back on?

**TIMOTHY GITZEL:**
Well, thanks, Oscar, for the question.

I can tell you, any time a producer that produces 40% to 50% of the world production makes a move, it's important. We've been watching it very closely. We'll see how long they stay down, how long the COVID impact is there. We know Mr. Pirmatov well, and we know that the health and safety of his workers and the workers at all the sites is absolutely a top priority, no different than any other company in our space. We'll watch to see what they do. There's a good article from Mr. Pirmatov in Ux Weekly this week. I'd encourage people to read it. He was very forthright with where they're at.

I'd just say a different kind of mining than we do here in Saskatchewan, at least. It's ISR, it's drilling, and it's acidifying well fields. All that takes time. When you shut that down, and you want to start up again, it takes a while to do that. A little different for us maybe at Cigar; we might be able to come back a little bit more quickly. We're used to shutting down for short periods of time, in summers, and bringing it back on. We'll see how it works in Kazakhstan, but it'll probably take them a little bit more time to come back up.

**RACHELLE GIRARD:**

The next question comes from Brian MacArthur at Raymond James. What do global inventories look like, and are we likely to see them being liquidated at higher prices?

**TIMOTHY GITZEL:**

Grant?

**GRANT ISAAC:**

Well, we've always had inventories in this industry. That's something we've talked about in the past; it's something that the different trade reporters have commented on, how much inventories. I would just say we look at this slightly differently, because it's not the size of the inventory that matters, it's the mobility of it that matters.

I would just remind you that one of the things we were saying about 2019, the way we were characterizing that year, is we were saying it really was no longer a secondary supply or an inventory story anymore. What we were seeing in 2019 was a year when we were the only demand in the market, and what we were seeing was uncommitted primary production rather than inventory. We were just seeing producers, who probably shouldn't have been producing, should have been leaving that material in the ground, were continuing to produce it, and it was making its way into the market.

That's what resulted in that bit of an anomalous result where we would say the market is tight, and yet, you had a $24 market to begin the year. What was going on there was when we were looking for material in a can or in a canister, available in true spot, it wasn't there; but if you were willing to wait three months, six months, or nine months out, you could find some of this uncommitted primary production. It would leak into the market.

That's what's been the story, but that's what's profoundly different right now in 2020. Here you have unplanned supply disruptions affecting, disproportionately, those sources of uncommitted primary production. We would see them leak out of Kazakhstan, perhaps through the Kazatomprom's joint ventures. We would see them come out of Namibia, we would see them come out of Uzbekistan. That's where we were seeing that material show up, Brian.

We look at 2020 and we say, well, I'm not sure you can be comfortable that three months, six months, nine months out, that supply is going to be there for you, given the unplanned supply disruption that's happening right now. That's how we look at it, as more of a mobility issue, and we're just not seeing the mobility, which is being reflected in that steady, inflating uranium price.

**RACHELLE GIRARD:**
Great. Thanks, Grant.

The next question comes from Oscar Cabrera at CIBC. You've mentioned that end user demand has been absent in the market. With all the production curtailments announced, are you starting to see them coming to the market for spot purchases and long-term contracts?

**GRANT ISAAC:**
I want to make a distinction between Cameco's experience and the broader market, because Oscar's question is right in that we have not seen replacement rate term contracting, for example, at the industry level. What I mean by that is, obviously, if the world's consuming 180 million pounds a year of uranium, we haven't seen 180 million pounds of new contracts being layered in over time, so we don't have replacement rates. By definition, for many, many years now, we actually have been destocking. We've been taking material off of committed sales portfolios but not replacing it.

If that's the industry situation, it's actually been different for Cameco. You'll recall in 2019 we reported that we had added another 36 million pounds to our term contract portfolio. Then we also said, in Q4, that in our pipeline, from origination through to negotiation or execution, we had more pounds under negotiation of uranium, or more kgs of conversion service than we'd had for a very long time, since Fukushima. Cameco was enjoying replacement rate contracting for a variety of reasons.

What's happened now is COVID's come along and it's affected, in two important ways, the types of negotiations that go on for term contracts. The first important way is our customers are not immune to this public health crisis, and we see our customers turning inward, looking at how they're managing the risk, starting with, we've called it, the triaging of their fuel supply, counting the fuel bundles at their reactor facilities, then checking with the fuel fabricators and seeing what their plans are and how much in-process material they have, and kind of working their way upstream to make sure their supplies are accounted for. They've been focused on dealing with the public health crisis, which also creates a bit of delay.

But don't forget, in a market that's transitioning, where you start to see a uranium price in the mid $30s in the spot market, and a five-year price for uranium that's starting to touch a four, it removes a little bit of urgency we have to complete some of these transactions as well. Between those two factors, our customers dealing with the public health crisis themselves, and us not being in such a rush because the market is transitioning in our favour, we think there could be some delays, but I don't want anybody to interpret that as that's business that's disappearing. It's business that, from our perspective, is actually firming up.

If I extend it to the industry level, just to finish the question that was asked, I can't really say I can point to a brand-new RFP that's come into the market post-COVID. I think it's just too early to be expecting a rush of term contracting, driven by the unplanned supply disruption. But as I mentioned in an earlier answer, we have seen a bit of utility demand into the spot market, which I think just reflects the greater speed that they can demonstrate when they're buying at the spot level versus the term level.

**RACHELLE GIRARD:**
Great. Thanks, Grant.

This next question is, again, one that we've been hearing quite a bit over the last couple weeks. With industrial demand down globally, what impact will this have on the demand for nuclear energy and uranium, and will the reduction in demand offset the supply disruptions, and are there any concerns with the delays in construction or nuclear due to COVID-19?

**TIMOTHY GITZEL:**

Yes, thanks. Well, no question, industrial demand is down globally. We shut everything down, it was six weeks of—other than essential services, we've taken most things offline, everybody's been tucked in at home, which has led to an increase in residential demand for electricity. It probably hasn't offset industrial demand.

It depends how long we're in this. I believe the economies are coming back, whether it's a V-shaped recovery or U, we've got to get back to life as it will be going forward, and that's going to have factories back open and lots of requirements for electricity. Again, as I said, I think in my first answer, I think nuclear's going to continue to play a role. It was before.

You talked about construction of reactors. I think there's some 53 or 54 reactors under construction around the world, that hasn't changed. It might've taken a pause in some areas, but back building them again, including two units down in the U.S. that are going ahead. I don't know what the future looks like, I don't think anybody does, but we've got to get our economies back up and running, and nuclear power's going to play a role. Electricity demand isn't going down. We need clean, reliable, safe electricity, and nuclear will be part of it. We've got to supply them with the fuel for that.

**GRANT ISAAC:**

Tim, I might just add that from the point of view of our committed sales portfolio, we've spent a lot of time in the last couple weeks, understanding what the demand is in-year, the commitments that we laid out at the beginning of the year; are we going to deliver into them, is the demand going to be there?

What we're finding is that, while the overall aggregate demand for power appears to be net down in a lot of jurisdictions, we're finding that nuclear is playing an important role, a critical infrastructure role in those jurisdictions, because of some of its really important features. We talk about its zero-carbon feature from an environmental and an ESG point of view, but in times of crisis, it's its baseload power feature that's absolutely critical. I mean, you need 24-hour power to run hospitals and care centres. You don't want a ventilator running on intermittent power.

Then some operating features of reactors. I mean, one of the things that we've long lamented is the inventory in our industry, but that inventory makes nuclear power an important source of baseload right now during a crisis because you fuel a reactor and it can run for 12 months, 13 months, up to 18 months without being refuelled. As everybody knows, at a reactor site, it's actually designed to have a lot less people at it, for radiation protection reasons and all of that, but as a consequence, you end up with a facility that's really well-designed for physical distancing as well.

Nuclear's got a lot of important features that actually has put it in a good position to deal with this crisis, at a time when 24-hour baseload power needs to be part of the critical infrastructure. That's part of what gives us the confidence that says our business for 2020 continues to look resilient, despite these impacts.

**RACHELLE GIRARD:**

Thank you. This next question is, again, one that we've been getting a fair amount, and it sort of transitions us a little more specifically into Cameco-related questions. What will be the driver of your decision to restart Cigar Lake? How long will it take to restart, and what costs are involved?

**TIMOTHY GITZEL:**

Well, obviously, for Cigar, it will be driven by the health and safety of our employees. We said that when we took it down, and we'll say that when we do decide the time's right to bring it back up again. Obviously, the safety and health of our employees is important, the surrounding communities; you know we operate in Northern Saskatchewan. Communities around us lack the infrastructure to deal with health issues on a good day, never mind in a COVID-19 world. We saw, just yesterday, and today again, in the community of La Loche and the English River First

Nation, which are host to many of our employees and our contractors, I think there's 50 cases now that have just broken out in the last few days. We watch that very closely, because that's not a good sign. Health and safety will be number one.

We'll look at commercial implications, obviously. Now, we took it down, as I said, on our own terms, so I think we'll be able to bring it up on our own terms as well. We have a playbook for this; we do this every summer. We will work with Population Health, which is the Northern medical health authorities, with the communities, the Indigenous chiefs, governments, regulators, employees. Obviously, our partners; Orano, we'll be working with them. All of those things will go into the decision of when to restart.

We think we can do it quite quickly. It's not like a McArthur/Key situation where we need to rehire the workforce. The workforce is there, ready, willing, and available to go when the time's right, when the conditions are right. That's what'll drive us.

**RACHELLE GIRARD:**
Thanks, Tim.

The next question comes from Alex Pearce at BMO Capital Markets. What is your ability to flex some of your sales commitments in 2020? Is it possible to defer a reasonable amount of the 28 million to 30 million pounds of your previous sales commitments into next year, to alleviate some of the expected production shortfall in 2020, or at least defer Q2 deliveries until later in the year?

**GRANT ISAAC:**
Yes, I'm going to build on some of the comments that I made earlier about our committed sales portfolio and our view of the risk of it. A bit of context; folks will remember in Q4 last year, the uranium market outlook put out by UxC concluded that, outside of China and Japan, most utilities were at or below their target inventory level.

Just a reminder that a lot of destocking had occurred already, and then you add to it unplanned supply disruptions, and we're finding it's not putting the market in a sense of complacency.

Quite the opposite, it appears that folks want their material. However, we will obviously work with them to find out what the appropriate deliveries are, the appropriate delivery times.

I don't know that we'll be asking to flex down, I don't think we need to do that. We've been planning our strategy to source our material, either from production or from purchasing, or from inventory. This has been part of our DNA since 2016 when we began our production cuts. So far, we see a resilient profile in our committed sales, and we just don't think we would have to take those kind of actions.

That reminder, that when we see prices transitioning in our market, we tend to not just see the mobility of inventory go down, we actually tend to see additional purchasing. That's one of the things that drives backwardation in our market. I think within that context, always a possibility, but not one that I think we need to explore at the moment.

**RACHELLE GIRARD:**
Great. Thanks, Grant.

The next question comes from Oscar Cabrera at CIBC. How long can you go with all your operations shut down before liquidity becomes an issue?

**TIMOTHY GITZEL:**
Grant, go ahead.

**GRANT ISAAC:**
When we set out on our strategy of supply discipline, put demand into the market to satisfy our committed sales portfolio, you know that those two aspects of it were always backed up by an important third aspect, and that was to have the financial ability to see this strategy out. We head into a pandemic where greater unplanned supply disruption comes along, and we're very well-positioned. We have $1.2 billion in cash; we have an undrawn revolver of a billion dollars

that we don't expect to have to draw, so we find ourselves in a very strong position going into this crisis. We look at the decisions around Cigar Lake and Port Hope from a health and safety point of view, and we have the financial ability to shoulder those important and responsible decisions.

For us, when we look at a prolonged public health crisis, we can withstand that and continue with our strategy. For us, there are no awkward lurches to the equity markets or the debt markets that we envision here. We can stick to the path we were on. We always said that this market, we felt, was becoming very vulnerable to an unplanned supply disruption. We weren't predicting a pandemic, but our history in this industry tells us it will be something, and well, it turns out it was a pandemic, but these were the types of unplanned supply disruptions that we had in mind when we made the financial decisions we made.

I would say we're in it for the long run. We're in it to see this—to go to an appropriate transition that allows us to layer in the contracts required, not just for Cigar, but for McArthur/Key. Then once we're operating only from those Tier 1 assets, that's a pretty good financial outlook for us.

**RACHELLE GIRARD:**
Great, thanks, Grant.

The next few questions, actually, come from Lawson Winder at Bank of America Merrill Lynch. What happens if the spot material gets too expensive for you to purchase? Where will you get your material from?

**TIMOTHY GITZEL:**
Grant, you might as well take that one.

**GRANT ISAAC:**
When we think about the purchasing strategy that we've been on, because we have this committed sales portfolio that we're going to deliver into, we're going to source it. We thought about what do we do if the market starts to move away from this? We kind of view it as one of

those tail risks. Of course, this is an upper tail risk, and it's the one that largely goes, you either have an unplanned supply disruption, and/or you have sellers retreating, but you're buying expensive material in the market.

I don't think we worry that we won't absolutely find it, but at what price, I think, is the heart of the question here. There's a trade-off for us. There's no doubt about it, and we've been very clear with that. Purchasing material and feeding it into our committed sales portfolio has a negative margin impact, relative to producing it from McArthur or Cigar. Of course it does, but for us, it's part of that general destocking, and it needs to be weighed off against two other features.

The first is, if the price is rising, and we're buying in the market and buying expensive material, don't forget that we have market-related exposure in our current committed sales portfolio that is starting to price at those higher prices, so we're going to get the cash flow and earnings pickup from a rising price environment. But also don't forget that as the price moves up and up, if you're really worried about that tail risk and a true uranium price that's moving rapidly up, it is setting the environment for the terms and conditions that we need for the new contract portfolio, to bring back Cigar and McArthur.

If you think about it, as long as the value created in the current portfolio, plus the new portfolio, is greater than the impact of purchasing more expensive material in the near-term, it's the right strategy. Then you stick to it, because that's how you create value. It is also important to note that we mitigate risk, I mean, it's part of our DNA, so we carry an inventory for the purpose of being able to deliver committed sales, in a market where we're having trouble finding material.

We probably have the opportunity to, if we needed to, to borrow material from customers that have material parked at our facilities, if we needed it, if we needed to take advantage of that, to be repaid when we're producing again. Of course, that would just accelerate the destocking that we've talked about in the past.

We have the ability to access some long-term purchases that we were planning on taking several years from now, but if we needed to, we could access those today, but again, that's just adding to the destocking that would be going on. But of course, the big levers are restarting

Cigar, restarting McArthur, and getting those Tier 1 assets producing. We have to buy in the market; we're buying with conviction in the market. We'll be very present, but we've mitigated the risk as well.

**RACHELLE GIRARD:**
Great. Thanks, Grant.

The next question, again, it's from Lawson Winder at Bank of America Merrill Lynch. A little bit earlier, you talked about the contracting activity. What types of terms are you looking for? Are those terms changing as the market evolves, and are they becoming more aggressive or conservative?

**GRANT ISAAC:**
Well, our terms haven't changed in concept. You've heard us say for some time that we have a bias towards market-related contracts, and especially now that we're seeing a market that's transitioning, we're grateful that we had a bias towards those market-related contracts, and we continue to have that.

But we deal with a lot of customers who have a bias towards fixed prices. They have known, in the past, that the price of uranium was low, it was well below production economics, and they were doing a very smart thing; they were trying to lock in those low prices that were the result of surplus disposal going through the spot market, they were trying to lock that in for the longer haul, and that's smart for them to do. We would all be trying to do it if we were in their shoes. Of course, that's now changing. For us, we have a market-related preference. To the extent that we deal with a counterparty who needs some of it fixed, it's going to be fixed at a much better price than it would have been just a few short weeks ago.

In concept, we like the market-related exposure, we like to agree to the fixed pricing if it meets an acceptable return to our Tier 1, but I would just say, as I mentioned earlier, that when we see a market that's in transition, it takes away a little bit of our urgency to lock in the business because we'd like to see where this uranium price is going to go before we lock in too much. The concept remains the same, but the conditions have tilted more favourable for us.

**RACHELLE GIRARD:**
Great, thanks.

One more question from Lawson. Fuel services was to make up 64% of your gross profit in 2020. How will the shutdown at Port Hope affect that?

**GRANT ISAAC:**
We've withdrawn our outlook, so I have to be a little bit careful with my comments here, but let me just say, by and large, I don't expect much of an impact. Port Hope has absolutely fantastic operators. They took a shutdown for health and safety reasons, as Tim outlined, but right away, they accelerated some of the maintenance that would have had to have been conducted there anyway, maintenance that now won't be done in the summer because they'll have a head start on it.

Overall, I actually don't expect it to have any impact on our outlook for fuel services, unless, for health and safety reasons, it has to be extended longer, but at the moment, we're just not sure. We were saying a four-week temporary shutdown, and if that's all it is, I really don't expect an impact.

**RACHELLE GIRARD:**
Great, thank you.

The next question comes from Oscar Cabrera at CIBC. Given the challenging economic environment, are you thinking about your capital allocation priorities differently?

**GRANT ISAAC:**
We aren't. We've been saying for some time that our number one focus is the strategy that we're on right now. We talked a little bit earlier about having the financial capacity to back up that strategy. That strategy, for us, is how we create value for our owners, over the long-term, how we set the table for our Tier 1 assets to be back operating at capacity. Therefore, you get those expected margins that you deserve from Tier 1 assets. That is our pathway.

We then said, in the past, that if it was a scenario where the market remains low, we'd probably stay on a de-levering path, but of course that's not what's happening now with the unplanned supply disruptions. We're seeing a market that is transitioning, so that maybe takes us more to a better case. But we want to be disciplined, and we want to be patient. Until we've locked in that new business, so that we can see line of sight and a new committed contract portfolio with terms and conditions, priced in a better market, we're going to stick to this conservative path; we're going to allocate capital conservatively and self-manage risk, as we describe it.

Now is not the time to lose our discipline. The transition is underway, but it's not complete, and capturing the value of the transition is not complete for us either. So, yes, no changes.

**RACHELLE GIRARD:**

This is a question that we've been getting a lot as well. Does consolidation of uranium space make sense in the current environment?

**TIMOTHY GITZEL:**

I can answer that one. I would say no, it's not something we're focused on, clearly, at Cameco. We've got, I don't know, three, four, five, six of the best uranium mines in the world, the best they've probably ever seen that are either suspended or shut down right now, so clearly, the focus would be on bringing that production back on, getting those units back up and running, including McArthur River which is an absolute gem. That would be our focus. We'd bring those back long before we need any new production in this market.

**RACHELLE GIRARD:**

Great. Thanks, Tim.

One final question, and the call would not be complete without it; your Federal Court of Appeal hearing took place in March. How did it go, and when do you expect to have a decision? If you are successful, when do you expect you can get your financial capacity back?

**TIMOTHY GITZEL:**

Well, we were getting a bit lonely not answering the CRA questions because we had them for 10 years in a row, then they kind of disappeared for a while. Look, I'd say this. We had the hearing in front of three Court of Appeal Justices about two months ago now, in March. No surprises, we think it went well. We're hoping to get a decision in 2020. Regarding our financial capacity and getting it back, we can't forget that CRA could still appeal, so that's out there. If the Supreme Court decides to hear it, we could be another two years in the process.

Lots of money at play here. If they don't seek leave to appeal and we win, we could expect a refund, I think of about $5.5 million, and that's just for those tax years, '03, '05, and '06. Don't forget, we were also awarded about—I think it was $10.25 million, Grant, in legal costs, plus disbursements, another $17.9 million, so that's hanging out there. That's to be decided by a taxing officer, and we're waiting on that.

Then of course, if we do get a favourable decision at the Court of Appeal level, we would hope it would apply to all subsequent years. That's all out there. We're waiting right now. We hope it's a 2020 decision; we're hoping that the Court of Appeal is looking at the matter now, and we'll get a decision out this year.

**RACHELLE GIRARD:**

Great. Thanks, Tim.

That concludes our questions, and I'll maybe just turn it back to you, Tim, for some closing remarks.

**TIMOTHY GITZEL:**

Okay, well, thank you, Rachelle.

With that, I guess I'll just say thanks to everybody who's been on the call with us today. We appreciate your interest and your support. As I said at the outset, these are really unprecedented and challenging times for everybody, but I can assure you that during this period of uncertainty, we will continue to execute on our strategy. Consistent with our values, we will do so in a manner that we believe will make our business sustainable over the long-term.

Thanks, everybody. Stay safe and stay healthy.

**OPERATOR:**

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