



Cameco Corporation

Second Quarter 2021 Results Conference Call Transcript

Date: July 28, 2021

Time: 8:00 AM ET

Presenter: **Tim Gitzel**
Chief Executive Officer

Grant Isaac
Senior Vice President and Chief Financial Officer

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

Rachelle Girard
Vice President, Investor Relations, Treasury and Tax



OPERATOR:

Welcome to the Cameco Corporation Second Quarter 2021 Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions.

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

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RACHELLE GIRARD:

Thank you, Operator, and good morning, everyone. Welcome to Cameco's Second Quarter conference call.

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

Today's call will focus on the trends we are seeing in the market and on our strategy. As always, our goal is to be open and transparent with our communications. Therefore, if you have detailed questions about our quarterly financial results or should your questions not be addressed on this call, we will be happy to follow up with you after the call. There are a few ways to contact us.

You can reach out to the contacts provided in our news release, you can submit a question through the contact tab on our website, or you can use the 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, Alice Wong, Senior Vice President and Chief Corporate Officer, and Sean Quinn, Senior Vice President, Chief Legal Officer and Corporate Secretary.



I'm going to hand it over to Tim to talk about the growing demand for nuclear power, the uranium market fundamentals and about Cameco's strategy to add long-term value. After, we will open it up for your questions. If you have joined the conference call through our website event page, there are slides available, which will be displayed during the call. In addition, for your reference, our quarterly investor handout is available for download in a PDF file on our website at cameco.com.

Today's conference call is open to all members of the investment community, including the media. During the Q&A 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 the MD&A for more information about the factors that could cause these different results and the assumptions we have made.

With that, I will turn it over to Tim.

TIM GITZEL:

Well, thank you, Rachelle, and welcome to everyone on the call today. We appreciate you taking the time to join us. I hope you and your families are doing well and enjoying some rest and relaxation during the summer months. It's certainly the time of year when the uranium market tends to slow down as many participants step away for a summer break.

Like I did in previous quarters, I'm going to start this call by reiterating our excitement for the future of the nuclear industry and for our role within that industry. The drivers of our optimism remain the same. First, there's an opportunity for nuclear power to play a pivotal role as the megatrend of increasing electrification, while phasing out carbon-intensive sources of energy continues to take hold around the globe, increasing the certainty of demand for nuclear power with a durability that I don't think we've ever seen before.

Excitement for the future

Cameco strategically positioned

Nuclear Power

- Electrification and decarbonization
 - Traditional and non-traditional uses

Uranium

- Fundamentals
 - More certain demand/risks to uranium supply

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- Tier-one strategy
 - Operations, Marketing, Financial

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Second, uranium supply is becoming less certain due to years of persistently low prices. Finally, the execution of our Tier 1 strategy, although driving costs in the near term, ideally positions us to achieve our vision to energize a clean-air world and deliver long-term sustainable value. It includes cutting our production below our committed sales volumes, being strategically patient in our marketing activities, conservatively managing our balance sheet, being vertically integrated across the nuclear fuel cycle and pursuing new opportunities within the nuclear fuel cycle.

Let's start with the fundamentals for nuclear energy.

Mega trend & challenge

Electrification *and* decarbonization

1/3 population

little or no access to electricity

**Existing
sources –
85% fossil
fuels**



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We're seeing a megatrend emerge, which is focused on increasing electrification, while at the same time, achieving massive decarbonization goals. This megatrend has led to a mega challenge. That challenge being threefold. First, to bring safe, clean and reliable baseload electricity to about one third of the population who currently have no access or limited access to electricity. Second, to clean up and replace our existing sources of electricity with a safe, clean, reliable, affordable and carbon-free option. And finally, to transition away from the current use of thermal sources of energy for things like transportation and heating.

This mega challenge of increasing electrification is occurring precisely while countries and companies around the world are focused on reducing their carbon footprint. Many have committed to achieving net-zero carbon targets and many more are expected to follow. In these clean air and climate change commitments, in particular, by companies, are creating accountability. In the past, we have always been reliant on governments and public policy to take the lead. Now there are more than 1,600 companies who have made net-zero commitments and will therefore play a critical role in shaping what energy policy will look like.

Mega trend & challenge

Net-zero commitments

**Electron
Accountability:**

1600+
companies



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Companies will no longer just be energy takers. They will be held accountable by their investors and other stakeholders for their performance on ESG metrics, including the carbon footprint of their supply chain, which of course, includes energy. And they will need a source that can provide safe, clean, reliable and affordable electricity 24 hours a day, 7 days a week, 365 days of the year. This accountability, or as we like to refer to it as electron accountability, creates a durability and demand for nuclear we have not seen in previous cycles. In a world where 85% of our electricity still comes from fossil fuel sources, there's no clear pathway to sustainably achieve both electrification and decarbonization while maintaining a stable electricity grid without nuclear in the toolbox.

The clean energy transition

Support for nuclear

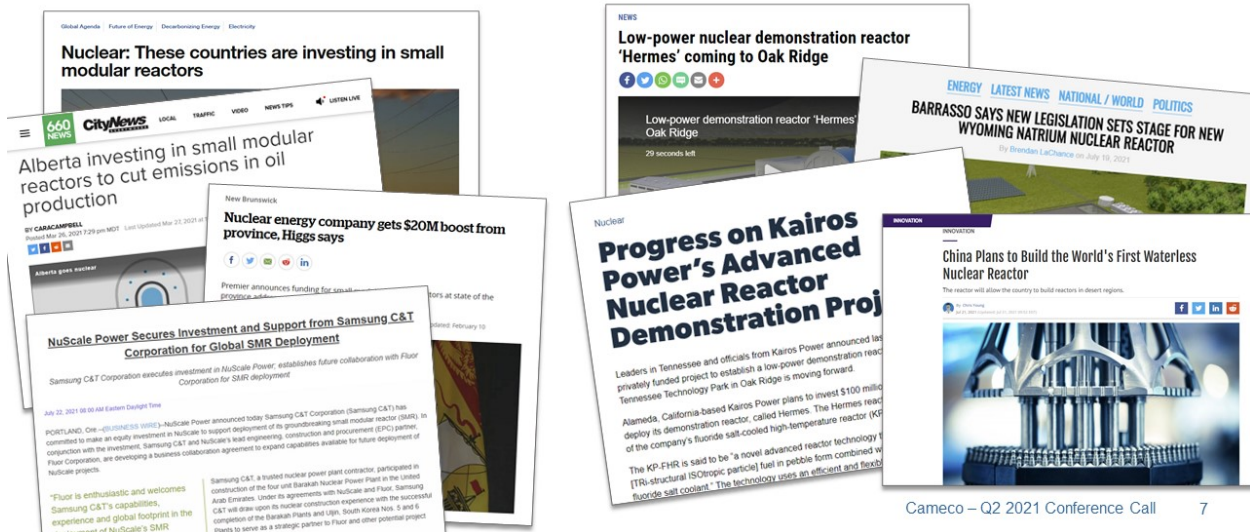


In Europe, we see continued progress toward the inclusion of nuclear and the sustainable finance taxonomy. The European Commission has proposed a supplement to current legislation that, if passed, will confirm nuclear as sustainable. In the U.S., the Biden Administration's 2022 fiscal year request for the Department of Energy's nuclear office was about \$1.8 billion, which is the largest proposed nuclear investment ever in the U.S. In late June, five U.S. Democratic senators introduced the zero-emission nuclear power production Credit Act of 2021 that, if enacted, would provide federal production tax credits to support at risk plans.

Furthermore, we're seeing momentum building for nontraditional commercial uses of nuclear power, such as the development of small modular reactors and advanced reactors. Bill Gates and the company he co-founded TerraPower just announced plans to build a 345-megawatt next-generation reactor at a retiring coal power plant in Wyoming, a proposal which was well received in the state. We at Cameco are exploring ways to further our reach in these innovative nontraditional commercial uses of nuclear power and the nuclear fuel cycle. For example, we've made an investment in global laser enrichment. We're also participating in the Centre for Next Generation Nuclear technologies with Bruce Power.

Non-traditional commercial uses

Small Modular Reactors (SMRs) & Advanced Reactors



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We also recently entered a nonbinding memorandum of understanding with GEH, Hitachi Nuclear Energy and Global Nuclear Fuel Americas to explore several areas of cooperation to advance the commercialization and deployment of its small modular reactors in Canada and around the world. So, the outlook for nuclear is very bright, and we at Cameco are well positioned to respond to the growing need for nuclear fuel to generate safe, clean, reliable and affordable electricity.

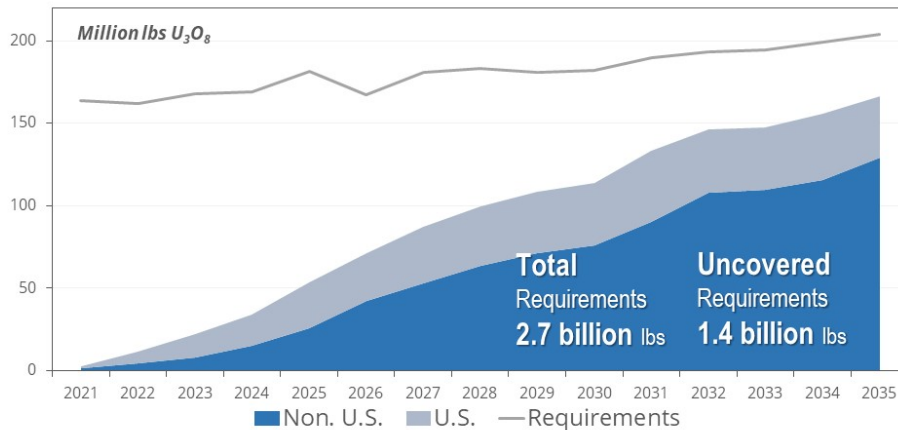
Increasing demand for nuclear means increasing demand for uranium, which brings us to the second factor that I said is driving our growing optimism. Demand for uranium is rising at precisely the same time that supply is becoming less certain. One of the indicators we like to look at to illustrate the opportunity is uncovered requirements. We know that utilities have not been replacing what they consume annually under long-term contracts. Since 2011, about 1.6 billion pounds of uranium have been consumed in reactors, and only about half of that or 800 million pounds have been placed under long-term contracts. This has led to a growing wedge of uncovered uranium requirements. The wedge is as big as it was back in the early 2000s, which was another period of complacency.

Low-carbon + low-cost = demand

Total and Uncovered Uranium Requirements



Nuclear's improving outlook potentially increases demand



Source: UxC Q1 2021 Uranium Market Outlook

2035 Annual Look:

166 million lbs
(or 82%) of requirements uncovered

2021 to 2035 Cumulative:

1.4 billion lbs of uranium needs to be procured

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With the recognition of the importance of maintaining the existing nuclear fleet to meet net-zero carbon targets, reactor life extensions are expected to represent an additional source of near and medium-term demand. Keep in mind, this is just talking about traditional demand. It does not consider any of the alternative uses of nuclear, I talked about earlier.

Spot Market Demand

Junior uranium companies and financial funds

~\$ **550** Million (US)



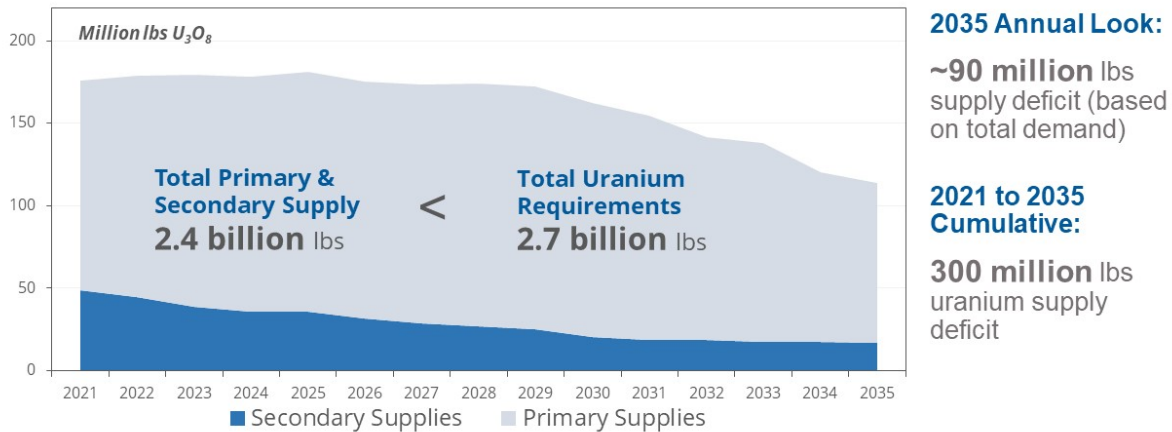
Uranium
purchases by
junior uranium
companies and
financial funds
(YTD)

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We're also seeing increased demand for uranium from financial funds and junior uranium companies. Through the end of June this year, more than US\$550 million has flowed into the uranium market via junior uranium companies and financial funds. This money has been used to purchase approximately 16 million pounds of uranium with more expected. One of these funds has recently come under new management and transitioned to a uranium trust with a planned at-the-market feature, which it expects will result in more active spot market purchases and improved liquidity and price discovery.

Uranium supply uncertainty

Delayed uranium price transition creates significant uranium supply deficit



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We believe there is growing recognition among these players that, statistically, the current uranium price has a much greater likelihood of going up than down. This view is supported by the fundamentals. The growing uncovered requirements are occurring at a time when there are some big question marks about where the uranium will come from to fuel the world's expanding nuclear fleet. Cameco's supply curtailments alone, both planned and unplanned, along with our purchasing activity, have resulted in at least a 145 million pound swing in the supply fundamentals since 2016. Since the end of 2020, we've seen two long producing mines come to the end of their reserve life. The loss of the Ranger mine in Australia and the Cominak mine in Niger will further reduce supply by about 7 million pounds per year.

Supply uncertainty

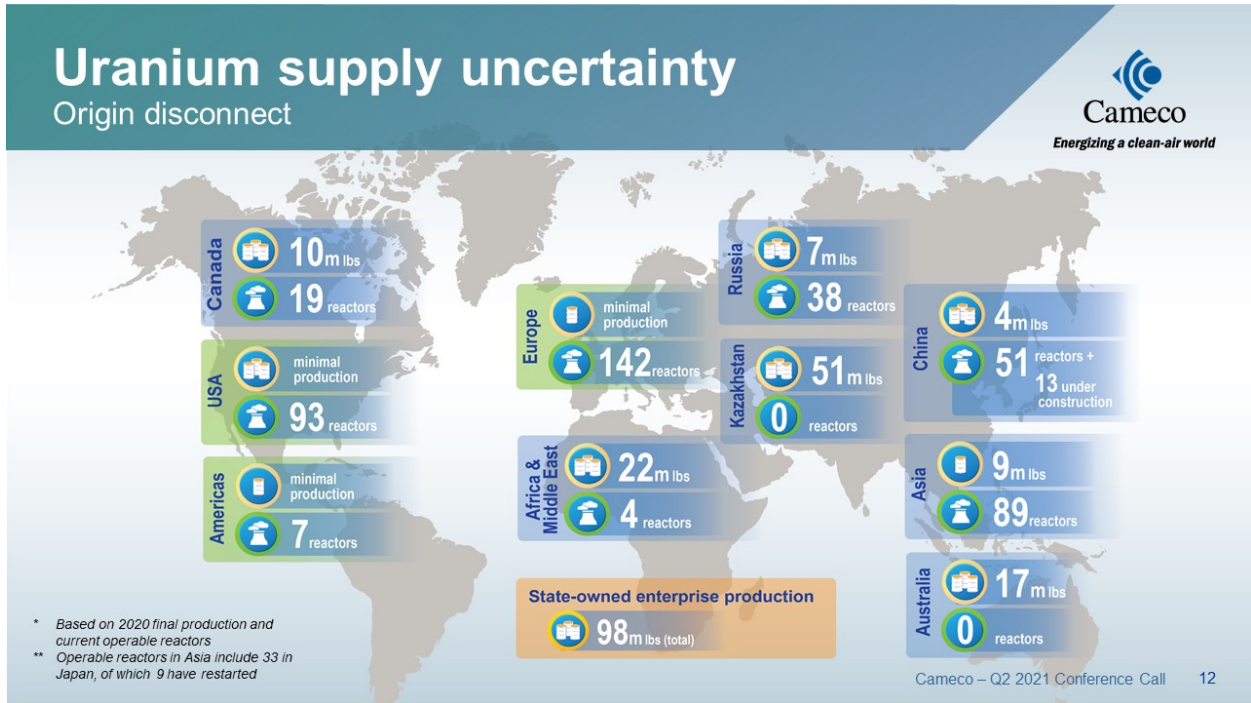
Risks to supply > Risks to demand

- Supply curtailments + unplanned disruptions
- Shrinking secondary supply
- Lack of investment and end of reserve life
- Concentrated supply
- Trade concerns
- Destocking and mobility of inventory

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Our Cigar Lake mine is done about eight years from now, and that's another 18 million pounds per year that will be gone from the market. Given the timeline it takes, we should be investing now to replace that lost production, but at today's prices, it makes zero sense to invest in greenfield projects. In fact, given the persistently low prices, not only have we seen planned supply curtailments, lack of investment and the end of reserve life for some mines, we've seen shrinking secondary supplies and trade policy issues, all of which have been amplified by unplanned supply disruptions. Consequently, primary supply has become concentrated geographically with about 80% of primary supply coming from countries that consume little to no uranium, and nearly 90% of consumption occurring in countries that have little to no primary production. And it is highly concentrated by producer with about 70% of primary production in the hands of the top 5 producers and about 80% in the hands of state-owned enterprises.



So, we believe that in the current market, the risk to uranium supply are far greater than the risk to uranium demand. These are the fundamentals that get us excited and why we remain a pure-play supplier of the uranium fuel needed to produce clean, carbon-free baseload electricity, which brings me to the final factor driving our optimism, our strategy and why we remain committed to doing what we said we would do.

Cigar Lake

Restart



Health and safety is always our priority.

Cigar Lake restart

- Forest fire evacuation
- Precautionary suspension due to COVID-19 pandemic



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Let me remind you what it is that we said we would do. First and foremost, this is where it all starts for us. We are focused on protecting the health and safety of our workers, their families and their communities. We're doing that. Every day, we make decisions about how best to manage our operations and protect and support our workforce.

Earlier this month, we evacuated all nonessential personnel from the Cigar Lake mine and suspended production temporarily due to the proximity of a forest fire. Our fire preparedness was instrumental in successfully protecting our site and assets and the proactive response from our site demonstrated the thoroughness of our risk management. Happily, and thanks to our preparedness, we were able to safely return the workforce to the site on July 4 and production resumed later that week.

In addition, we continue to monitor the COVID-19 situation and have regular dialogue with public health authorities. Let me be clear, the health and safety of our workers will always be our priority. We will not hesitate to take further action if we feel our ability to operate safely is compromised.

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Disciplined execution of our strategy

- Preserving tier-one production



Strategy Execution



- Purchasing
- Strategic patience in contracting

- Strengthen balance sheet with conservative financial management



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Second, apart from the disruptions to our operations, we have not wavered from the execution of our strategy. There are three fronts on which we are executing our strategy: operational, marketing and financial. On the operational side, we have implemented our planned supply discipline, cutting production well below our delivery commitments. This includes the curtailment of production at Rabbit Lake, our U.S. assets, and of course, at the McArthur River/Key Lake operation.

A deliberate strategy

Contracting – strategic patience

Building Long-term Value

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Balanced approach • Layer in • Appropriate returns • Target 60% market, 40% fixed • Diversified portfolio |  | <ul style="list-style-type: none"> • Leverage to higher prices • Downside protection |
|---|---|--|



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These actions have left a lot of pounds in the ground and kept them off the market. Consequently, we've been purchasing material on the spot market to meet our committed deliveries. In addition, we have shown sales discipline, sticking to our value strategy. We have been strategically patient. We're seeing our patience pay off, and we're continuing to build our contract portfolio. In addition to the 9 million pounds added in April, we successfully finalized and executed a further 7 million pounds under a number of sales contracts, which had been under negotiation, bringing the total for the year so far to 16 million pounds. Since 2019, that is a total of over 60 million pounds added to the contract portfolio.

It's important to remember that our contracting activity is done within the context of global market realities. The primary driver for our contracting activity is always value, and while having great assets is a necessary condition for creating long-term value, it's not sufficient. The spot market is not the fundamental market in our business. It is a very thinly traded market. In our business, a responsible producer creates real value by building a long-term contract portfolio that supports the operation of productive assets, is leveraged to greater returns as prices increase and provides downside protection. Therefore, to create long-term value, where appropriate, we layer in volumes over time in accordance with market conditions.



We do not want to commit our Tier 1 pounds too far into the future under contracts that won't generate an appropriate portfolio return, and we do not want to exhaust our Tier 1 assets in a low price environment. As the market improves and we move outside of the carry trade window, we expect to continue to layer in volumes, capturing greater upside, using market-related pricing mechanisms. We also expect to lock in value at higher prices to carry that value through the next price cycle, always with a view to our preference for a 60-40 split of market-related and fixed-price contracts.

Leading indicator

Off-market interest

- Large utilities
- Security of supply
- First-mover advantage
- Diversification targets
- ESG requirements



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We continue to have a large pipeline of uranium business under negotiation. In fact, we continue to see off-market interest growing and historically, it has been a leading indicator of broader demand for long-term contracting. We're having conversations with many of our customers. These customers recognize the long-term fundamentals. They want access to long-lived Tier 1 productive capacity from commercial suppliers who have a proven operating track record. They understand that from a security of supply perspective, today's prices do not reflect production economics. They recognize the first-mover advantage gained from securing their future access to our Tier 1 pounds today as opposed to in the future.

Cameco

Competitive advantages

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



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

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

Sustainability Measures of Success

Safe, healthy, rewarding workplace



Industrial Safety

2020 saw the best safety performance in Cameco's history, with **zero lost time incidents**.

Supportive communities



Community Economy

Since **2004**, Cameco has procured more than **\$3.92 billion** in services from **northern Saskatchewan businesses**.

Clean environment



Environmental Performance

Thirteen consecutive years with **zero** significant environmental incidents. We test over **85,000 soil, water and air samples** each year at our North American operations.



A Tiny Footprint

From **less than seven square kilometers**, our Saskatchewan tier-one operations have the licensed capacity (100% basis) to produce virtually all the uranium used by US nuclear utilities each year in meeting about **20% of total US electricity demand**.



100% of our product goes to producing clean, carbon-free, base-load electricity

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Finally, on the financial side, we have been very deliberate in shoring up our balance sheet. At the end of the second quarter, we again were in a negative net debt position with \$1.2 billion in cash, \$1 billion in long-term debt and a \$1 billion undrawn credit facility. As such, we have the financial capacity to self-manage risk and maintain our strategic resolve. So, I'm happy to say that we're performing well on all three strategic fronts. However, there are costs to our strategic decisions, which are reflected in our financial results and the outlook for 2021. As a mining company, there is significant cost to not operating our mines, which is why having Cigar Lake running is a critical part of our strategy.

A deliberate strategy

Financial

Strong balance sheet:

(As of June 30, 2021)

- Negative net debt
- \$1.2 B cash
- \$1 B long-term debt
- \$1 B undrawn credit facility

***Ability to self-manage risk
and maintain our strategic resolve***



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Yet imagine where the market might be today had we not curtailed supply and purchased uranium. There would be more than 145 million pounds and growing above ground and available to the market. We have made responsible and deliberate decisions to preserve the value of our Tier 1 assets in an oversupplied market and, in the case of Cigar Lake, to protect the health and safety of our workforce. The largest of these costs are for care and maintenance of the assets we have on standby and the cost of the uranium we must purchase to replace lost production.

Increase in average unit cost of sales:

- Care and maintenance – expected to be about 15% - 20% (\$7.40 to \$9.35 per lb) of 2021 outlook for average unit cost of sales
- Purchases – cost expected to be about 20% (\$7.00 per lb) higher than production costs*

* Based on reported production costs at Cigar Lake in the past two years



Let's put these costs into perspective. In 2021, care and maintenance costs are expected to represent between CAD\$7.40 and CAD\$9.35 per pound. That's about 15% to 20% of our expected average unit cost of sales. Our purchase costs to replace production are expected to be about 20% or CAD\$7 per pound, higher than production costs at Cigar Lake for the past two years, further increasing our unit cost of sales. The good news is they do not represent the run rate of our business. We planned with these costs in mind, and we expect much better days ahead once we return to Tier 1 cost structure.

Expected results

Run-rate:

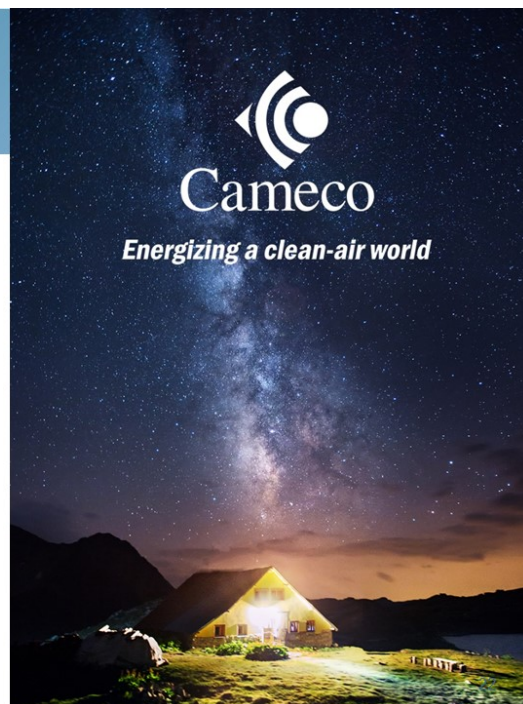
- Production flexibility
- Eliminate care and maintenance costs
- Tier-one cost base



We're taking the steps today to support the future restart of our Tier 1 assets and to create a more flexible asset base. We want an asset base that allows us to align our overall production decisions with our contract portfolio commitments and opportunities that allows us to eliminate the care and maintenance costs incurred while our Tier 1 production is suspended and that allows us to benefit from the very favourable life of mine economics our assets provide.

Right vision and strategy

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



We're confident in our ability to transition through this period and capture demand that will provide leverage to higher prices. And we have concluded that we have the right vision, strategy and values to deliver long-term sustainable value. Our vision, which is to energize a clean-air world recognizes that we have an important role to play in enabling the vast reductions in greenhouse gas emissions required to achieve a resilient net-zero carbon economy.

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

Our actions are deliberate. We are a responsible, commercially motivated supplier with a diversified portfolio of assets, including a Tier 1 production portfolio that is among the best in the world. We are well positioned to take advantage of a market where demand for nuclear power, both traditional and nontraditional, is growing, where we believe the risk to uranium supply is greater than the risk to uranium demand and where we believe our strategic decisions and



strategic patience provide us with resiliency in the face of unprecedented challenges and will result in the rewards that will come from having low-cost supply to deliver into a strengthening market.

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

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

- Cameco logo and tagline: **Energizing a clean-air world**
- Section header: **Q&A**
- Section header: **Investor Relations**
- Contact information:
 - @ investor_requests@cameco.com
 - ✉ 2121 11th Street West, Saskatoon, Saskatchewan
 - 🌐 cameco.com/invest
- Exchange listings: CCO LISTED TSX, 25 YEARS LISTED NYSE, CCJ LISTED NYSE
- Page number: 23
- Page title: Cameco – Q2 2021 Conference Call

OPERATOR:

Thank you.

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

RALPH PROFITI:

Hi. Good morning. Thanks for taking my questions. Tim or Grant, I want to think a little bit more long-term in the context of this 16 million pounds year-to-date and its impact on the contract book because I've noticed that the purchase commitments that sit off-balance sheet haven't really changed, sitting at around 20 million pounds. At what point does it become prudent to



protect the contract book by increasing those longer-dated purchase commitments? Or, are you more closely matching future contracting with production capability?

TIM GITZEL:

Yes. Both, Ralph, thanks for the question. As we've been reporting quarter-on-quarter, we've been layering on in contracts. Each quarter, over time, I think we said 16 million pounds over the last number of years. I think we have about 19 million pounds per year on average sales over the next five years, more in the front end than in the back end. It's a spot that we like to be in. I think we're comfortable where we're at. We will going forward want to match our sales with production. We've said that. We've said that to restart McArthur and Key we'd like our portfolio to be in place so that we're not just bringing pounds into the spot market. So, I think the answer to your question is yes to both parts of it.

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

GRANT ISAAC:

Yes. I just might add, Ralph. Think about it as kind of a market alignment strategy from a sourcing point of view. We have a number of criteria that are behind our portfolio decisions. And think about them that way, when we build a contract portfolio, it has a number of criteria. But the key to that is actually making sure that we've got line of sight to the sourcing. We said for some time now, and Tim said it in his opening, that responsible producers in the uranium market build homes. So for us, it really is about matching where we see the sourcing of that material. Right now, that sourcing is largely coming from the market. We've got to go in and buy obviously. But over time, it will set the conditions that allow for the restart of McArthur, for example. That will then see us sourcing from Tier 1 production, which is a great day. I mean that's unequivocally positive for Cameco, of course.

So, for us, it's about this market alignment. It's about never finding ourselves in a position where we're contributing to an oversupply in the market, that that wouldn't be a sensible thing to do. When the market is suggesting that those pounds aren't needed and could be purchased or picked up on the spot, we'll do that, as you've seen us do quite aggressively. So think of it from that market alignment point of view.



RALPH PROFITI:

Yes, understood. That's helpful. My second question is on Kazakhstan and the 20% curtailment through 2023. Are you satisfied from a prudence perspective of that type of move? Do you think they could or should have done more? I'd like to get your insights on what it says perhaps about their view of the market.

TIM GITZEL:

Yes. Well, these days, Ralph, as you know, you can ask them some of those questions, I'm sure Galym would be would be more than happy to answer them. I think we were quite pleased to see that we extend the 20% reduction into 2023, I think a very prudent move on their part. Obviously, as a joint venture partner of theirs, we will comply with that. So, we can only do here at Cameco what we can do, and you've seen us take leadership strides over there. I think Galym and the Kazakhs are doing what they think is necessary and the 20% reduction into '23, we think is very positive.

RALPH PROFITI:

Excellent. Okay. Thank you.

TIM GITZEL:

Thanks, Ralph.

OPERATOR:

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

ANDREW WONG:

Hi, good morning. Thanks for taking my questions. So, the spot and the term price that got quoted by like UxC, they're roughly at par now, and the gap between those two benchmarks had been pretty small for a while. Could you just talk about what's causing that dynamic and what that's telling us about the market?

TIM GITZEL:

I think I saw a little bit of backwardation in the Ux numbers this week. But Grant, do you want to speak to that?



GRANT ISAAC:

Yes, Andrew, it's a great question. At the risk of taking up all the remaining time on that, let me just make a couple of observations. From the spot point of view, I'm not declaring that the spot price is where it needs to be, but it is up quite a ways since the supply discipline had started, up about 60%, and that's reflecting, I think, progress in cleaning up that spot market. We certainly contributed to that with our major purchase. We've left pounds in the ground, and we've gone and bought material instead off the market. Tim referenced some junior advanced exploration companies buying, you referenced some financials buying. That's all taking material out of that spot market. It's taking material out of the hands of the financial intermediaries. It's taking material out of the churn, and that has led to some, I would say, positive pressure in the spot market, which is all good. It has a ways to go, but that certainly is very, very constructive. It's what we absolutely needed to see.

The term market has remained more discretionary, in part because while the spot market is being cleaned up, it still is a source of carry trade for utilities. So, utilities who know that their uncovered requirements are growing and know that that global wedge of demand is growing, still see opportunities to go into the spot market or have a financial intermediary, for example, offer them carry trade into the near part of their term demand. It effectively buys them a bit more time to not really focus on the big term contracts, but to take smaller bites out of the term market. So, we're just not seeing that level of replacement rate term contracting occurring across the industry. When we are seeing some of the bigger RFPs come to the market, we still see a few of the producers who are quite eager to, I would say, buy that business. That's not all bad, by the way. I mean, we've been saying for quite some time. It's important for producers to build homes.

All the new interest in the uranium market, which has been great, has forced us to kind of revisit some of the fundamentals in our business, the fundamental being the spot market is not the target market for production. So, when we see producers looking to build term contract homes, that's great news because it means that in the future, their production won't be hitting the spot market. However, that eagerness to build term homes, we're seeing in the form of, I would say, some very competitive bids to the RFPs that are on market. One competitive business that we can't compete with, and we won't compete with because strategically, it doesn't make much sense. But, the good news is those homes are being built, and that demand is calling for pounds



that maybe in the future would have hit the spot market. But so, for the term market in total, it's just not there yet relative to the uncovered requirements. I think we would have expected more demand in the market than we've seen.

I would just make the final comment that Cameco, though, is enjoying a little better situation than that. We talked about our off-market contracting, we talked about the pipeline of negotiations, Tim referenced the over 60 million pounds that we've added to our contract portfolio, reflecting that there is term interest. It just isn't at the level right across the industry of replacement rates.

So, no surprise, spot market getting cleaned up, 60% increase in the spot price, more demand to come, I would think, with some of the financials in particular. Certainly, we'll have some buying to do along the way. But, the term market isn't quite there yet. Those two are connected. As the spot market tightens, it really will send the signal that the carry trade is going away, that buying material in smaller bits is probably not going to satisfy security of supply concerns. So, on balance, we think the potential is for the term market to break back to something closer to production economics, kind of break free of this anchor of the spot market, it's behind our optimism, Andrew.

ANDREW WONG:

Okay. That's great. That's a lot of good detail. Thank you. Maybe just like a longer-term kind of question. Can you share your thoughts on the development of these higher enriched fuels like HEU plus and HALEU for the advanced reactors. What kind of impact could they have on the market? And how can Cameco participate in this trend? You have that investment in GLE, which maybe longer-term could be a part of that. Thank you.

TIM GITZEL:

Yes. Thanks for that question, Andrew. Yes, we're quite interested in the whole HALEU, advanced fuel for SMRs. Of course, SMRs' getting a lot of attention these days everywhere. Canada, I think there's 11 or 12 different models in front of the regulator, OPG looking to pick a model very soon, I think, within the next few months to build a demonstration project at Darlington. Bruce is involved, NB Power, our own Saskatchewan government looking at them.



In the U.S., we know China is now maybe—is leading the pack, is built on the Russian's floating.

So, SMR is getting a lot of attention because they make sense. If they can build them cheaper and have them mobile and in places where you don't have to have huge infrastructure, it makes a lot of sense. So, that's not going to put a dent in the uranium market tomorrow morning. We are still relying on the 443 operating reactors and the 51 plus that are under construction. But we're looking as to how Cameco can get involved. We have all the elements. We've got uranium. We've got lots of it. We've got refinery, a nice refinery conversion. We've got our GLE Project that we're standing up now in the U.S. to provide enrichment. We talked to a lot of companies, many, many companies about how we can play and, especially on the fuel side.

So yes, we're excited about it. It's nuclear. It's the nuclear of the future, I think. So, more to come on that from us. We don't have anything to announce. We signed an MOU with GE Hitachi on SMRs. On their SMR, they've got the X-300. I think that's a nice model, but there are others as well. So, more to come on that, but pretty exciting stuff for the future.

OPERATOR:

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

OREST WOWKODAW:

Hi, good morning. I'm pleased to see that you've announced another 7 million pounds of new long-term contracts this quarter, building on the 9 million pounds from last quarter. I'm just curious if you're seeing now a real pickup in movement here from utilities from a recontracting perspective and whether these contracts are starting to build momentum on each other and whether we should anticipate more following now that sort of the door has been open? Any context would be appreciated.

TIM GITZEL:

Grant, do you want to take that?



GRANT ISAAC:

Yes, Orest, I would say that there is no doubt that every time we talk about more of our future production being claimed, it does create interest from others, who aren't part of making those claims. But let me just be cautious here. It hasn't translated yet into kind of an industry level. We haven't seen that kick over to frequent on-market RFPs that would suggest a real security of supply. Contracting cycle is underway across the industry.

So, for us, it is positive. I think it makes some of our customers wonder why their colleagues are contracting and they're not and how much Canadian Cameco supply has already been claimed and what's left for them. So very positive for us, but it hasn't yet translated into kind of that security of supply shift at the industry level. Let's face it. In the past, that trigger has always been shock driven, whether it was the supply shock of, for example, 2006, the Cigar Lake development project flooding, whether it was the demand shock of 2010, the Chinese stepping into the term market for the first time and contracting a lot of uranium. It tends to be a bit of a shock event that causes everybody to try to go through the door at the same time. I would just say, if we look at the market, if we look at the forward view of productive capacity on a primary basis and on a secondary basis and juxtapose that to uncovered requirements, this market is as vulnerable to a shock as it's ever been.

So, I think it's building in that direction, Orest, I just want to be careful not to call that today, but certainly positive for us.

OREST WOWKODAW:

Thank you. Thanks for the colour, Grant. Then just separately, I noticed in your release, there are some comments about some initiatives to materially reduce your holding costs, your standby cost with the shut-in, with McArthur River and I guess the other assets. Can you give us some insight in terms of what you're thinking there, what the timeline might be to get some colour and what kind of impact this could have?

GRANT ISAAC:

Yes. Orest, what we're referring to there is the projects that we have underway at McArthur and Key. Remember, they've been in care and maintenance since 2018, actually, which is a long time to have the world's mine and mill complex in care and maintenance. But it hasn't been like



quiet sites because what we've done is we've said, look, while these assets are down, this is the absolute best time to unpack every process, every procedure, look at opportunities for us to harness the very best of digitization & automation technologies that we're seeing adopted elsewhere, not an R&D project, but really an applied technology project to take the best of what we see elsewhere, bring it to our facilities, do that while they're down so that when they come back, they come back even better than when we brought them down.

So, those are the types of initiatives that we're referring to. Making those investments countercyclically, it's prudent for us to do. It's one of the reasons why we've had such a very conservative financial management so that we can be poised to make those kind of prudent countercyclical investments when they make sense and right now is when it makes sense.

TIM GITZEL:

Orest, I'd just add to that, that the most difficult piece of that often is the change management piece. When you've got a fully staffed site with 700, 800 people involved and you're trying to implement change, the change management piece, getting the people to adopt new habits is tough. So, while our site's down, our people are off, I think we only have about 100 people on care and maintenance. It's the right time to implement those. And the day we do bring the people back, it will be—we're going to have to train them differently, get them prepared differently for a different site, kind of a mine and mill of the future. So, that's why we're doing it now as well.

OREST WOWKODAW:

Thank you.

OPERATOR:

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

KATIE LACHAPELLE:

Hey, good morning guys. Thanks for taking my questions. Now that the Sprott physical uranium test arrangement has closed and started trading, I was just wondering if you could provide your thoughts on both when and how you think this new entity could impact pricing moving forward.



Just based on your knowledge, is this something that you think utilities are recognizing and are maybe perhaps worried about?

TIM GITZEL:

Thanks, Katie for the question. We're pretty excited to see Sprott in the business now. They've got lots of experience in metals funds and at the market, in the market with metals and have a big market presence, I think. So, Grant has been studying them and looking at Sprott. Grant, why don't you go ahead?

GRANT ISAAC:

Yes. We certainly think that there is potential for this to be actually quite transformative to price discovery in the spot market. As I think a lot of folks know, you heard me say a lot of times, the spot market is not the fundamental market. It's a market where we've seen it punished, if you will, by uncommitted primary production that didn't have a home. It's why I keep talking about responsible producers being ones who are building homes. And as that material came into the spot market, it often ended up in the hands of financial intermediaries, who would churn it through the market and really be in a position to offer the market down without actually making a transaction, just by hanging offer after offer over the spot market, and we'd see the spot market walk down, but nobody actually put their income statement on the line and consolidated the transaction. And that was possible because you had the offers outmatch the bids in the spot market. So along comes a physical trust that is proposing to have a far more frequent bid in the market.

A physical trust that is, I think, designed to impute what investors believe the price of uranium should be. I think, by and large, most investors view that this price of uranium is not linked to production economics and that it does have to transition in order to create that link, and that would suggest that investors would be very supportive of that trust model, be happy to invest perhaps on a daily basis, allowing that fund to go in and have a far more frequent and consistent bid in the market. We've seen in the past, if that occurred, that will back up some of the selling, it will back up some of the offers, and it will help contribute to a transition back to production economics away from surplus disposal.



I guess we sort of look at it as having plenty of upside and perhaps very little downside because if those folks decide to go a different route and maybe run the fund like it used to be run, well, we know what that's like. I mean, it will just go in the market every now and then and buy and then sit back and wait for the market to appreciate up to a point where you can go back in. It wouldn't be as fun, and it certainly wouldn't be transformative, but if they go the former route and actually do start to impute investors' view of where the price of uranium should be, it really will take a lot of the judgment and a lot of the, I would say, discretion that sometimes gets imputed by the trade report. It'll take it out of their hands and make the spot price far more transparent and far more transaction based. Quite frankly, that's good for everybody.

KATIE LACHAPELLE:

Awesome. That's all from me guys. Thanks.

TIM GITZEL:

Thanks, Katie.

OPERATOR:

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

GREG BARNES:

Yes, thank you. Grant, several quarters now you've been saying that you have a large volume of off-market discussions with utilities regarding additional contracting activity. This quarter, you're saying negotiations continue on business opportunities remaining in that pipeline. That sounds a little less optimistic, I guess, than it has in the past couple of quarters. You've done a fair amount of contracting. Is that slowing, I guess, is the question.

GRANT ISAAC:

Yes, sorry, absolutely did not mean to create the impression that it's a pipeline, and we're drawing it down. I mean, we're quite excited by the opportunities that are in there. We're not going to get every opportunity because, of course, as Tim said in his opening comments, we're being very strategically patient. We're trying to find those opportunities that make sense for us. Quite frankly, some of the folks want to take advantage of what are low prices, and we'll turn to other producers to satisfy that. So, we're not going to get all the business in there. You don't



want us to get all the business in there. But I would say, when we get on a call like this and we talk about the term market being quiet, one of the first calls I get is from our Vice President of Marketing, who says, what are you talking about? Because we're quite busy, let me remind you, dealing with all of these opportunities that we see coming our way.

So, I did not mean to send the impression that Cameco's pipeline is shrinking in any way. As I mentioned to Orest, we sort of see it as we announced that more contract commitments have been layered on, that actually creates more interest in our pipeline and in our future supply because it starts to build a sense that, well, how much of Cameco's future supply has already been claimed. If I want some of it in my diversified portfolio, I'd better talk to them. So absolutely did not mean to send that impression, Greg.

GREG BARNES:

Okay, thanks. Just the situation with the CRA and their new way of reassessing 2014, trying to understand, again, the wording in the MD&A, it said it would result in less adverse, albeit still a material adjustment to taxable income in Canada for 2014. But then you want to say your initial view is that this methodology would not result in a materially different outcome for 2014.

TIM GITZEL:

Greg. Can I get Sean Quinn to answer that? Sean's obviously been on this file for about 13 years. So Sean, why don't you answer Greg's question?

SEAN QUINN:

Sure, Greg. The reason we don't think it's a materially different outcome at the end of the day is we think this new assessment ground that has been raised for 2014 would be unsuccessful if pursued by the CRA. So, at the end of the day, we don't think that there is a significant problem with that year.

GREG BARNES:

Okay. Okay, fair enough. Thank you.

TIM GITZEL:

Thanks, Greg.



OPERATOR:

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

LAWSON WINDER:

Hi, good morning guys. Thanks for taking the call. I'd like to ask again about the digital and automation and your statement that it has the potential to eliminate care and maintenance costs. How are you thinking about that? How is it possible that you could eliminate care and maintenance costs without restarting those mines? Yes, that's the question.

TIM GITZEL:

Yes. Again, if we left that impression, that would—absolutely, we're not eliminating care and maintenance costs. That's not possible. But when we do come back, we would have a more streamlined, more digitized system up at Key Lake and McArthur and which—that's where we'd be more streamlined. Certainly, there's no way we're eliminating care and maintenance costs, not at all.

LAWSON WINDER:

Then just with respect to specific numbers here. So, I think the latest study was somewhere around CAD\$15 per pound marginal operating costs or C1 cash costs for McArthur River in your latest study. Is there a potential to materially lower that as a result of your digital and automation work?

TIM GITZEL:

So that's exactly the goal, Lawson, is to do that materially if we can, but we'll take anything. So, if you can digitize, mechanize, robotize, if that's a word, some of the processes and circuits in the mill, especially, we'd want to bring down our operating costs absolutely. So, that is the goal, clearly.

LAWSON WINDER:

If I might ask just one more. The 16 million pounds now so far this year of contracting, how is that spread around the world? Is that more Western or more Asian clients? Thanks.



TIM GITZEL:

Grant?

GRANT ISAAC:

Yes. I would say in terms of the regional distribution, you're seeing a bias towards, let's call it, our more traditional markets in North America, in Western Europe as opposed to the emerging markets, which, of course, you should take as very positive because it suggests that that growing demand in those emerging markets has not yet shown up, which is obviously very good news.

So yes, it's more the traditional customer base who have been through this before. I think who are recognizing that there's a fundamental story that's not building in their favour, and quite frankly, I think, maybe concluding that there's probably first mover advantages for them if they move now. So that would be more of the distribution.

LAWSON WINDER:

Thanks so much.

TIM GITZEL:

Thanks, Lawson.

OPERATOR:

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

ALEXANDER PEARCE:

Thank you. Good morning. So, I noticed, obviously, you pushed up sales volumes expectations this year for fuel services. I was wondering maybe you could provide a bit of an update on the market there. Obviously, you're halfway through the year. Maybe you can give us a view on where you think conversion, etc., is going into next year? Obviously, there's a bit of some capacity changes over the next couple of years?

TIM GITZEL:

Yes. Thanks, Alex. Grant?



GRANT ISAAC:

Yes. Alex, the conversion market, in particular, not as far as it was in 2020, that's for sure. I think you'll recall that in 2020, we sold forward as much conversion as probably we ever have in a twelve month window. So, that was not just hitting replacement rate, but going well beyond. Been a bit of consolidation, I would say, in the conversion market, especially with the announcement ConverDyn coming back. Now, it's a few years and quite a bit of money before they're back up and running. That was also combined with Orano putting out some statements about not just successfully getting to the 7,500 tonnes of their first module, but maybe going to 15,000 tonnes, obviously, not an overly helpful announcement in the conversion space. But that's led to a bit of consolidation for sure. But as you can see, there's still opportunities for us. Those opportunities are in the near-term before full commissioning in France and before ConverDyn is back up and running, and make no mistake, we'll take those opportunities because conversion remains very attractively priced, and those prices support our Fuel Services division very nicely.

ALEXANDER PEARCE:

Okay. Thank you.

TIM GITZEL:

Thanks, Alex.

OPERATOR:

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

BRIAN MACARTHUR:

Hi, good morning and thanks for taking my questions. There's some language in the MD&A talking about potentially deferral in project work and maybe impacted next year's production. I mean, I realize these are very high-grade mines, and you have a lot of flexibility. But can you maybe elaborate a little bit on that? Is that more labour? Or, are you actually seeing supply chain issues? So there really could be an impact on Cigar?

Maybe a second question moving longer term. You talked about digitization of McArthur making it better, but there's also cautionary language that you may have issues for equipment for that



going forward. I mean, you're trying to balance that, that you don't want to bring it back until you have contracts, but how are you ensuring that you actually have the pipeline of material ready to break, that McArthur comes back when you want it as expected? Because as you mentioned, it has been down for a number of years. Are you getting a lot more concern on supply chain issues for equipment to actually be able to bring this back when you want to?

GRANT ISAAC:

Yes, Brian, thank you for those questions. Our securities' lawyers will be delighted, you did a deep dive into our risk factors. I think we sometimes wonder if anybody reads them. So, thanks for doing that.

Obviously, when you think about Cigar Lake, we always want to remind folks that when you curtail an asset, you're curtailing two things, aren't you? You're curtailing the in-year production, but you're also curtailing the activities required for future production. So, what you're picking up is that risk to say, look, if we don't have Cigar Lake operating for COVID reasons, it's not just this year's production that gets affected, it's the development of the mine required for future production. Obviously, now that it's restarted—we've restarted in-year production, and we've restarted mine development. So, it's prudent to flag that as a risk that if there are disruptions to the mine development plan for future production, that will affect future production. Quite frankly, we're not afraid of that as a risk, Brian, because that's actually connected to our supply discipline strategy. So, it doesn't really—it's not orthogonal to what we're trying to accomplish.

At McArthur, Brian Reilly, our Chief Operating Officer, was on a number of quarters ago to sort of discuss where McArthur was from a risk point of view. And just to, I would say, calm any nerves about the situation at McArthur at regular risk, as you say, it's been down for a while. There's no doubt about it, but we've continued to have, we think, the appropriate people there, both keeping the physical capital and the human capital in good condition and getting it ready or keeping it on standby so that when we do call for that production, it's there for us. At the moment, we don't see a significant penalty capital that we've incurred because it's been down. We've deferred capital for the time it restarts, but that's not the same as penalty capital. That's just capital we chose not to spend.



So, you're picking up, I think, some prudent risk language that we bury into those risk factors for sure. But by and large, we're very confident with where we're at with Cigar Lake, and we're very confident with the state of care and maintenance at McArthur Key. If we weren't, you'd actually see us have to spend some money and be very clear about those capital spends.

BRIAN MACARTHUR:

Great. Thanks for the colour. Maybe switching to another topic. You did mention GLE again and it was asked earlier. So, to an extent you can because I realize it's competitive, what exactly—I mean, we had a pilot plant years ago and whatever. Are we actually trying to scale this now or what's actually going on at GLE right now?

TIM GITZEL:

So, Brian, we spent the last number of months of putting the deal together, where, along with Silex, Cameco takes over ownership of GLE and stands up the Company. So, we're really in that process right now populating it with some real, real strong talent. Then we're looking as to where we can play. We've got options for GLE. The HALEU market, just pure enrichment. We've got those DOE tails that are available to us, if that makes sense. So, it's pretty exciting. We've looked for a long time for an entry point into the enrichment market. And those aren't easy. There's a lot of barriers to entry there. And so we think we might have a pathway here, and so we're going to push it along.

BRIAN MACARTHUR:

Great.

OPERATOR:

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

GORDON JOHNSON:

Hey guys. Thanks for taking the questions. A lot of our questions have been answered. But I guess, I just wanted to get your thoughts on Uranium Trading Corporation being the second private financier to announce the purchase of uranium. Clearly, you guys already talked about Sprott. But just given we're seeing more of these transactions announced, wanted to get your thought on if we'll see more and kind of how you guys see that impacting the broader dynamic?



GRANT ISAAC:

Yes. It's a great question, and you're absolutely right to say it's been a very active part of the space. It's pretty clear to us that some of the people are coming to it because of an understanding of the uranium market and the fundamentals and how uranium actually creates value through a marketing program, not being dumped into the spot market. But some are coming to us just because they're doing the statistical analysis and say, look, this is a commodity that's got a very low probability of going down and not very far and a very high probability of going up in probably a long way.

So, there is quite a variation, I would say, of the interest in it. Some of it is public, and you've heard about, and some of it is private. I would say the most important aspect of a successful financial hold in uranium is to hold it, is to not think, well, we're going to get into the uranium business, and we're going to have this little trading book that we're going to flip, and we're going to create some positive carry and maybe sign a little contract or two with the utility in order to cover management fees, those don't work. That's why they've come and gone.

But that's not what we're hearing from the narrative now. The narrative really is kind of an understanding that this is a market that structurally is positioned for a transition. Better to be in now than after the transition occurred. I would say a very helpful understanding that actually grabbing some material and hanging on to it more in a permanent capital framework is probably the wiser thing to do.

So, we're seeing interest. It's continuing, and it's more appropriate than I would say some of the interest we've seen in the past.

GORDON JOHNSON:

Okay. That's helpful. And I always ask this one, but I'll ask it again. The contracts in China are quite dated. Any update there with respect to renewals? And just the last question, taking a step back, widely popular EV CEO, Elon Musk mentioned recently that uranium makes sense. And it seems like the Biden administration is kind of warming up to the idea that if you want a real solution CO₂ uranium is the way. We're seeing issues in California with respect to power outages and energy prices increasing. Can you guys talk about just from a broader perspective, if you're seeing a further change in increase in sentiment? Thank you for the questions.



TIM GITZEL:

Yes. Thanks, Gordon. I can get on the soapbox here for about the next half hour, if you like, talking about climate change and global warming, and then the megatrends of electrification and decarbonization and where everyone's going. Who hasn't set a net-zero target by 2030, 2035. Quite frankly, this is a personal thought. I think there's a lot of hope and a bit of hypocrisy in that we need to—there's a bit of a gap between the rhetoric and reality, and got to start looking at action plans and how we're going to get there now with this massive electrification, all-electric cars by, I don't know what year and billions being spent. So, that's all positive for us because I keep quoting our famous Energy and Mines Minister here in Canada, Seamus O'Regan, there's no path to net-zero that doesn't drive by a nuclear plant.

So, that's real positive for us. The U.S. has been super positive. With the Biden Administration, the first day they came in, they canceled Keystone and signed Paris. Since then, we've seen them make a lot of moves. The set of clean energy standard for clean electricity fossil-fuel-free electricity by 2035. The Secretary Granholm, very positive on nuclear, John Kerry, Gina McCarthy, all of those things. So we're watching the Exelon units to see if they get a survival line thrown to them.

So yes, lots of positive things going on in that front and all positive for us. We think nuclear has to be in the picture going forward. So, we're super positive.

On China, we continue to talk to the Chinese. Grant, I don't know if you can give much of an update on that, but they're certainly in the market.

GRANT ISAAC:

Yes. I mean, China is an example of a country that is putting action to the rhetoric, a 2060 net-zero carbon target that has led to very significant near-term increases in nuclear's role in their overall grid. You're talking about a handful more reactors in the next five years. You're talking about a target mid next decade of 200 gigawatts. That's a combination of what will be operating and what will be under construction. At that kind of target, China alone would be consuming 100 million pounds of uranium. Primary production last year was 120 million pounds. So one country would be calling for 100 million of 120 million supply stack. It's quite astonishing.



The Chinese have kind of—we used to think of them as China Inc., if you will, as one group, but you really actually see different behaviours from the different entities in China. You see one of the utilities has actually become very active in owning assets abroad and having a supply abroad and having, in particular, African material and in the future, some Kazakh material coming in directly to their account, which would offset some of their purchases, of course. We don't see the other utility being quite as aggressive with securing their own supply and probably, therefore, far more market reliant going forward. As I said in response to an earlier question, with respect to where our contracts currently are coming from the traditional markets, well, it's very positive when you think about these big emerging markets have not really come back yet. And we saw what happened. Last time they came back in a big way.

So, China is a country that's putting action to the words. Nuclear is key to getting that clean grid. We actually think that that demand is in front, not behind.

GORDON JOHNSON:

Okay guys. Thanks a lot. If I could just get one more sneak, one more in. What would you guys say conversely is the biggest challenge you face? We've seen ups and downs in just the equity valuations, which isn't indicative of your overall business. But what would you say the biggest challenge you're hearing out there is for maybe some of the investors you're talking to it? And how would you address that? Thanks guys.

TIM GITZEL:

I don't know if I have a good answer to that. We're pretty happy with the way things are moving. Maybe the market is not moving quite as quickly as we like on the term market. But other than that, the Company is in good shape. We're certainly—our balance sheet is strong. Our operations are running well, when we're not threatened by COVID or forest fires. We're optimistic for the future. So, I don't know. Of course, we worry about lots of things all the time. That's our job, but nothing in particular.

OPERATOR:

The next question is from Jessica Sondgeroth from Nuclear Intelligence Weekly. Please go ahead.



JESSICA SONDGEROTH:

Hi guys. Thanks for taking my call and good morning. I was just wondering if you could elaborate a little bit more on Cameco's strategy with regard to the carry trade. I know we have some backwardation, and you mentioned some competitive offers from producers that seems to be driving some of that backwardation. Also, with regard to future market trends once the market goes back into Contango, I wonder what your expectations of the carry trade might be then?

TIM GITZEL:

Grant?

GRANT ISAAC:

Yes, great questions. We see the carry trade as being less impactful on the market than it had been in the past, obviously. Not just a function of the spot market fitting out. We've talked about 60% rise in the spot market since the supply discipline strategy. It's closed the gap with the term price. I think not too long ago, there was a lot of concern about inflation and where interest rates would be. Well, that undermines the carry trade as well. To the extent that maybe that concern is now replaced with the delta variant and the idea of more stimulus and perhaps lower interest rates, well, again, that will come back in from the carry trade. But ultimately, carry trade works when you have uncommitted primary production coming into the spot market. The good news is, from a producer point of view, that's going down.

You've seen assets retired, Ranger, COMINAK. There's less material showing up reflected in the higher spot price. So the carry trade will be there, but probably a less important factor. As it starts to tighten and the spot market gets closer to the term price, that's when the conversations really flip over to, okay, well, now it doesn't seem advantageous to try to secure spot material and carry it into the near-term of my—I might as well look at term demand. So, that, I think, is what reflects the 60 million pounds plus that we've been successful in adding into our contract portfolio. We'd obviously like to see more utilities realize that, and that's to come because that demand is not going anywhere. It's still there and needs to be satisfied. So, it just leaves us quite constructive, and I think that's captured in Tim's optimistic view.



JESSICA SONDGEROTH:

Thank you.

TIM GITZEL:

Thanks, Jessica.

OPERATOR:

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

PATRICK SOJECKI:

Hi. Good morning guys. My question is in this environment with sort of central banks printing with no end in sight, is Cameco managing their cash balance any differently, say putting maybe some of it into like maybe carrying a higher inventory or in something other than cash, which is losing the purchasing power at an increasing rate? Thank you.

TIM GITZEL:

Yes. Thanks for the question, Patrick. I'll turn that to the CFO.

GRANT ISAAC:

Yes, Patrick, thank you for that question. Obviously, our very conservative financial management has come with an opportunity cost, and that is, we've been sitting on cash, and that cash hasn't been earning a lot of money, but what it's been doing is, I think, creating a virtual guarantee for our owners that we can self-manage risk that as we go through the supply discipline strategy, as we deal with the purchasing we need to do to cover the gap between where our committed sales are and where our production is, as we carry the care and maintenance costs, and then, of course, deal with unplanned shutdowns, things like COVID, our owners can be assured there'll be no awkward lurches to the capital markets because we didn't have the financial resources to deal with it.

As the business case improves, as we lock in more contracts, as we get more certainty and predictability around when that McArthur restart is, at that point in time, if we're still sitting on these kind of cash balances, there will be too much. At that point, we'll have to look at ways to reduce that, either give it back to the owners or if we've got a compelling use for it that can



generate an acceptable return, we'd make the case for that. But right now, we're still kind of in this prudent role here of being very financially conservative. Then we'll look at things like when the market begins to transition in a more aggressive way, what is our role for buying not just the inventory, not just the material we need for our committed sales, but perhaps a little bit more. I mean, normally, it's not advantageous for Cameco to sit on an inventory.

The reason is we become an overhang. Time and time again, we find ourselves in conversations with our best customers, where we'd say we're looking at your uncovered requirements, and we think you should start buying uranium, and they'd say, well, we're looking at your inventory, and we think you should start selling. So, it created no advantage for us to be carrying that kind of inventory. But if we saw that transition, you could expect us to be a very aggressive buyer and deploying some capital that way. But the good news is those are choices that we have, and those choices are a result of the prudent financial management that we've been engaging in.

PATRICK SOJECKI:

Perfect. Thank you.

TIM GITZEL:

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:

Well, thank you, Operator. And with that, I just want to say thanks to everybody that joined us on the call today. And we, as always, appreciate your interest and support. Just a couple of closing comments. I'd just say again that we're excited about the future we're seeing for nuclear power generation. We're excited about what we're seeing in the fundamentals of uranium supply and demand, and we're certainly excited about the prospects for our Company. As you know, we're a responsible commercial supplier with a strong balance sheet, long-lived Tier 1 assets and a proven operating track record. I can just tell you, we will continue to do what we say we would



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

So, with that, I say thanks, again, everybody, stay safe and healthy, and have a great summer. Thank you.

OPERATOR:

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