March 24, 2020
Company Update

Equity Research

CAMECO CORPORATION

Cigar Lake Down, Uranium Prices to Move Higher

EVENT

Yesterday evening, Cameco announced that it will be temporarily shutting down operations at Cigar Lake, the world's largest uranium mine, to protect against the COVID-19 threat.

BOTTOM LINE

Very Positive. While there are no confirmed positive cases of COVID-19 at the mine site at this time, Cameco is taking the pro-active approach and placing Cigar Lake on care and maintenance for four weeks. We expect this to be extended indefinitely, likely driving a significant increase in spot and term uranium prices. We are maintaining our Buy recommendation and re-iterate our US$14.00/$18.00/share target price.

FOCUS POINTS

- **A Major Uranium Supply Shock:** Cigar Lake is the world's largest uranium operation, producing 18 MMlb U3O8/yr., equating to ~14% of global production. More importantly, it is the only sizeable uranium operation outside of Russian/Kazakh/Chinese influence.
- **We Have Seen This Before:** A 2006 flood at Cigar Lake gave the uranium market its first supply shock and helped drive uranium spot prices from $56/lb to $136/lb by mid-2007. CCJ stock was up 61% over that period.
- **Uranium Equities to Move Higher:** With utilities globally already low on inventory, we expect this supply shock to trigger an immediate rise in spot and term uranium prices as fundamental end users (utilities) scramble to secure material. This should drive share prices higher across the uranium sector.

Recommendation: Buy

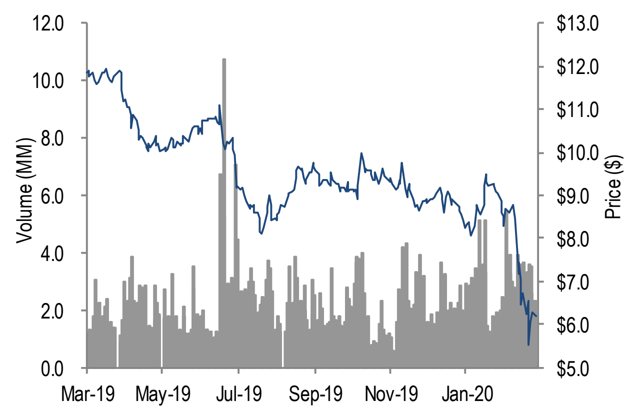
Symbol/Exchange:	CCJ-NYSE, CCO-TSX
Sector:	Metals & Mining
All dollar values in C$ unless otherwise noted.	
Current price:	US$6.21/$9.02
One-year target:	US$14.00/$18.00
Return to Target:	99.6%
Cash and Equivalents:	$1,062.4 MM

Financial summary

Shares O/S (MM)	395.8	52-week range	$7.69 - $16.24
Market cap ($MM)	$3,570.1	30D avg. vol. (000)	4,202.7
Market float (MM$)	$3,564.7	Fiscal year-end	31-Dec

	2017A	2018A	2019A	2020E
Uranium Production (MMlb)	23.8	9.2	9.0	9.0
Prod'd & Purch'd (MMlb)	29.9	23.3	28.0	29.0
Uranium Sales (MMlb)	33.6	35.1	31.5	29.0
Realized U3O8 Price ($/lb)	$46.80	$47.96	$43.88	$51.60
Cash Operating Costs ($/lb)	$19.62	$27.87	$25.76	$31.40
EPS, dil., adj.	$0.15	$0.54	$0.11	$0.44
Dividends per share	$0.40	$0.18	$0.08	$0.08
CFPS	$1.29	$1.22	$1.09	$1.35
Free CFPS	$1.27	$0.65	$2.44	$1.05

Source: Company Reports and Cantor Fitzgerald Estimates.
Note: All figures in millions, unless stated otherwise.



Company profile: Cameco Corporation operates in two primary segments: uranium and fuel services. The Company boasts the world's largest high-grade uranium reserves and low-cost uranium operations.

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See disclosure and a description of our recommendation structure at the end of this report.

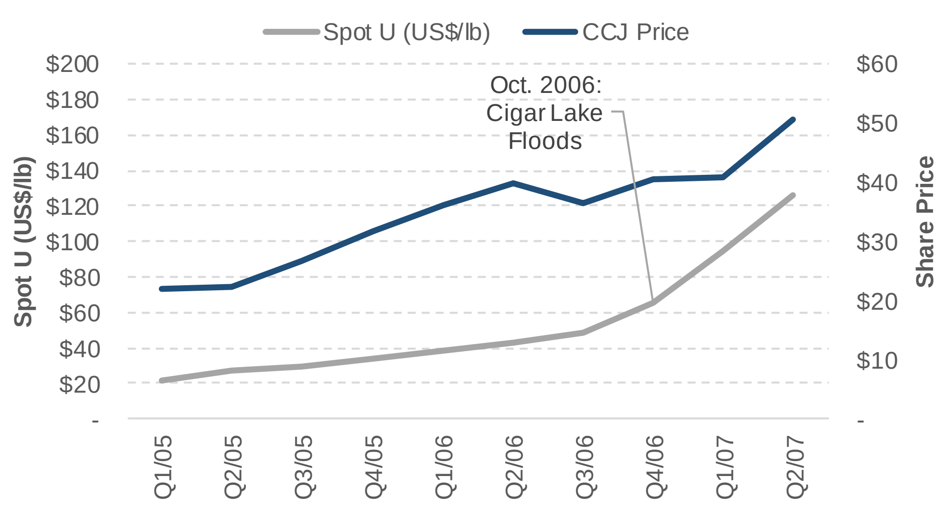
A MAJOR URANIUM SUPPLY SHOCK

Yesterday evening Cameco announced that it will be temporarily shutting down operations at Cigar Lake, the world's largest uranium mine, to protect against the COVID-19 threat. While there are no confirmed positive cases of COVID-19 at the mine site at this time, Cameco is taking the pro-active approach and placing Cigar Lake on care and maintenance for a minimum of four weeks. The shutdown of the mine was done in conjunction with the shutdown of the McClean Lake mill, where the high-grade Cigar Lake ore is processed. We expect the shutdown of the Cigar Lake mine and McClean Lake mill to be extended indefinitely, likely driving a significant increase in spot and term uranium prices, that would ultimately be to Cameco's benefit. Cigar Lake is the world's largest uranium operation, producing 18 MMlb U_3O_8/yr, equating to ~14% of global production. More importantly, we consider it to be the only sizeable uranium operation outside of Russian/Kazakh/China influence (excepting Australia).

WE HAVE SEEN THIS BEFORE

A 2006 flood at Cigar Lake gave the uranium market its first supply shock and helped drive spot U prices from $56/lb to $136/lb from October 2006 to June 2007. CCJ stock was up 61% over that period, despite having its largest project indefinitely delayed. While there were additional macroeconomic drivers of uranium prices in the 2004-2007 period, Cigar Lake coming off-line indefinitely drove the final parabolic move higher in prices at the end of the last cycle.

Exhibit 1. Uranium and CCJ Share Price (Post '06 Cigar Lake Flood)



Note: Spot U Prices represent average market prices during fiscal quarters.
Source: Cantor Fitzgerald, Cameco Reports

COVID-19 IMPACT

Electricity demand will undoubtedly decline globally, at least over the short-term, until the COVID-19 threat has passed as more people stay home and more businesses/manufacturing are shuttered. That said, with utilities globally already low on inventory, and given the size/scale of the Cigar Lake shutdown (~14% of the market), we expect this supply shock to trigger an immediate rise in spot and term uranium prices as fundamental end users (utilities) scramble to secure material.

URANIUM PRICES TO MOVE HIGHER

We do not expect the Cigar Lake mine or McClean Lake mill to restart until term contracts at the +$55/lb level can be secured, likely driving spot prices to the $40-45/lb range (a +65% move higher than the current spot price of $24/lb). Upward momentum in the spot price is the single most important catalyst that will drive share prices higher across the uranium sector.

TARGETS AND RECOMMENDATIONS

Cameco Corporation – Buy - $14.00/C$18.00/share target price.

Denison Mines – Buy - $1.05/C$1.35/share target price.

Energy Fuels – Spec. Buy - $3.00/C$3.75/share target price.

Uranium Participation Corporation – Buy - C$5.50/share target price.

Ur-Energy – Spec. Buy - $1.00/C$1.25/share target price.

Yellow Cake – Buy - £3.00/share target price.

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The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of CCJ.

The analyst responsible for this report *has not* visited the material operations of CCJ.

Analyst certification

The research analyst whose name appears on this report hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

Definitions of recommendations

BUY: The stock is attractively priced relative to the company's fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

BUY (Speculative): The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.