

CAMECO CORPORATION

Q2/17 financial results beat on top line, miss on bottom; Settlement reached with IRS

EVENT

Cameco released its Q2/17 financial results and maintained its FY/17 outlook for the uranium segment.

BOTTOM LINE

Neutral – Another earnings miss for Cameco as it reported an adjusted EPS of -\$0.11/share versus our estimate of -\$0.06/share and that of consensus of -\$0.03/share. A measure of solace can be taken from the fact that this miss was partially due to one-off reasons such as a change in Saskatchewan tax and the write-down of NUKEM inventory. In fact, revenues beat with \$470M in Q2/16 versus our estimate of \$409M and consensus expectations of \$383M. Offsetting this is positive news of a settlement with the U.S. IRS., which sees Cameco pay a token cash settlement of US\$122,000. This is a big win for Cameco seeing as the originally proposed tax expense amounted to US\$122M. We maintain our BUY recommendation but are increasing our target price to \$16.00/share, or by 2%.

FOCUS POINTS

- **Adjusted EPS miss**– Cameco attributed the loss largely to the impact from the TEPCO contract cancellation, a change in the Saskatchewan corporate tax rate which impacted the deferred tax asset, and the write-down in value of NUKEM's inventory.
- **I.R.S. settlement win** – A cash payment of US\$122,000 is well below the originally proposed tax expense which amounted to US\$122M. The settlement also serves as a reference point for the ongoing CRA dispute.
- **Revenue guidance increased** – Consolidated revenue is expected to increase due to higher volumes from NUKEM.

Recommendation:

BUY

Symbol/Exchange:	CCO/TSX; CCJ/NYSE
Sector:	Metals and Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price	\$12.96; US\$10.40
One year target:	\$16.00↑
Return to target	24%
Market Capitalization	\$5.0 B
Cash on hand	\$283M
Yield	3.1%

Company Summary

Shares O/S (M)	395.8	52-week range	\$9.74- 17.18	
Market cap (\$M)	\$5,129.5	Avg. weekly vol. (000)	7.426	
Market float (\$M)	\$5,124.3	Fiscal year-end	31-Dec	
	2015A	2016A	2017E	2018E
Uranium Production (M lbs)	28.4	27.0	25.2	28.0
Revenue (\$M)	2,754.4	2,431.4	2,105.8	2,387.7
Operating Cost (\$M)	2,057.3	1,967.9	1,684.9	1,743.3
Avg Cost (US\$/lb)	\$33.85	\$24.68	\$19.89	\$19.83
EBITDA (\$M)	775.9	581.0	486.1	750.1
EPS	\$0.86	\$0.36	\$0.10	\$0.75
CFPS	\$1.29	\$0.94	\$1.02	\$1.97

Source: Company Reports and Cantor Fitzgerald Estimates



Company profile: Cameco Corporation is a world leader in uranium mining and processing, with additional exposure to fuel trading. Cameco's uranium mines and projects are situated predominantly in Canada, U.S., Kazakhstan, and Australia.

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

DESPITE HIGHER REVENUES, EARNINGS DISAPPOINT

A revenue beat of \$470M topped both our and consensus estimates totaling \$409M and \$383M, respectively, on higher than forecast uranium delivery volumes. Despite this beat, Cameco missed on the bottom line with an adjusted EPS of -\$0.11/share compared with our estimate of -\$0.06/share (street low) and that of consensus of -\$0.03/share. Cameco attributed the loss largely to the impact from the TEPCO contract cancellation, a change in the Saskatchewan corporate tax rate which impacted the deferred tax asset, adjustments to foreign exchange derivatives and the write-down in value of NUKEM's inventory.

Please see Appendix A below for the full Q2/17 variance table.

HIGHER PRODUCTION AT LOWER COST

Cameco's Q2/17 production amounted to 7.1M lbs (7.0M lbs in Q2/16) at a total production cost averaging C\$24.12/lb., exceeding our estimate for 6.2M lbs. but lower than our cost forecast of C\$27.47/lb. The average cash cost of production was 15% lower for the quarter when compared to Q2/16. The decrease was primarily due to the ramp-up of low-cost production from Cigar Lake, and the impact of the 2016 decision to curtail production from Rabbit Lake, and the US operations, where production costs were higher. Note however that due to summer vacation periods and planned maintenance shutdowns currently underway, Q3/17 production is expected to be lower, and as such, costs higher than that of H1/17.

Sales amounted to 6.1M lbs. at an average realized price of US\$36.51/lb. (or C\$49.11/lb.). We were forecasting sales of 6.3M lbs. at an average realized price of US\$33.89/lb. (or C\$45.51/lb.). Uranium revenues of \$298M increased by 16% compared to Q2/16 largely due to an increase in sales volumes of 33%, but somewhat offset by a decrease of 12% in the Canadian dollar average realized price. Note that the spot price for uranium averaged \$20.79/lb in Q2/17.

Recall that on January 31, 2017 TEPCO issued a termination notice for its uranium supply contract with Cameco. TEPCO cited force majeure as the cause for the termination because the company has not been able to operate its nuclear plants for 18 consecutive months and also due to increased government regulations following the Fukushima accident in 2011. Approximately 11% of Cameco's contract book is with Japanese utilities out of a total of 25% for all of Asia. Cameco currently does business with eight of the eleven Japanese utilities, none of which are expected to follow suit.

Cameco previously revealed that the termination affects about 9.3M lbs. of uranium deliveries through 2028, which is estimated to be worth about \$1.3B in revenue. For 2017, 2018, and 2019 the impact would be 855,000 lbs. of uranium or about \$126M annually. Management noted that good faith discussions and negotiations between Cameco and TEPCO have concluded and that arbitration is currently underway. Using past experience as a guide, Cameco expects a resolution to be reached in about 30 days if the process follows a similar timeline.

I.R.S. TAX SETTLEMENT

Cameco announced that it has settled its dispute with the U.S. I.R.S. with the payment of US\$122,000 (to be paid in Q3/17) regarding the audit for the 2009-2012 tax years. This is a substantial win for Cameco as the IRS had estimated a tax expense of approximately US\$122M previously. This could serve as favourable reference point for the Company's ongoing CRA dispute. On the conference call, management noted that the out of court settlement validates Cameco's current structure and transfer pricing mechanism – at least in the eyes of the I.R.S.

2017 URANIUM GUIDANCE MAINTAINED; NUKEM SALES INCREASED

Concerning FY/17 guidance, there was an increase to consolidated revenues which now amount to between \$2,100M-\$2,270M, an increase from between \$1,950M-\$2,080M previously. This change in consolidated revenue is attributed to higher sales volumes from NUKEM, now expected to amount to between 8M-9M lbs, a notable increase from the 5M-6M lbs expected previously.

Two other changes to FY/17 guidance are total capex expenditures (now \$175M from \$190M previously) and tax expense on adjusted net earnings (\$10-\$20M expense from a recovery of \$10-\$20M). This is due to the change in the Saskatchewan corporate tax rate which impacts the deferred tax asset.

Exhibit 1. Quarterly Uranium Production & Guidance (Cameco's share)

(M lbs)	CF			Guidance	CF
	Q2/17a	Q2/17e	Q2/16a	FY 2017e	FY 2017e
McArthur River/Key Lake	3.6	3.9	2.8	12.6	12.6
Cigar Lake	2.5	2.3	2.0	9.0	9.0
Inkai	0.8	0.8	1.1	3.1	3.1
Rabbit Lake	0.0	0.0	0.7	0.0	0.0
Smith Ranch-Highland	0.1	0.1	0.3	0.4	0.4
Crow Butte	0.1	0.0	0.1	0.1	0.1
Total	7.1	7.1	7.0	25.2	25.2

Source: Cameco Corporation, Cantor Fitzgerald Canada estimates

NUKEM & FUEL SERVICES

The NUKEM division had a similar quarter in transactions compared to that of Q2/16. A total of 2.5M lbs. was delivered during the quarter, compared to 2.4M lbs delivered during this period last year. The notable decrease was from the average realized price which amounted to \$34.86/lb., compared to \$52.51/lb during the same period last year. NUKEM's contributions to quarterly revenues amounted to \$88M, a 32% decline from Q2/16. Note that in the current quarter, there was a \$10M write-down of inventory.

From the Fuel Services division, production volumes during the quarter amounted to 2.2M kgU, below last year's 2.6M kgU. On sales volume of 2.7M kgU at an average realized price of \$30.46/kgU, revenues amounted to C\$82.0M, a figure in-line with that from last year. This was primarily due to a 10% increase in average realized price, offset by a 7% decrease in sales volumes when compared to last year.

Exhibit 2. FY/17 Guidance

	CONSOLIDATED	URANIUM	FUEL SERVICES	NUKEM
EXPECTED CONTRIBUTION TO GROSS PROFIT	100%	85%	14%	1%
Production	-	25.2 million lbs	8 to 9 million kgU	-
Sales/delivery volume ¹	-	30 to 32 million lbs ²	11 to 12 million kgU	8 to 9 million lbs U ₃ O ₈
Revenue (\$ million) ¹	2,100 to 2,270	1,470 to 1,570 ²	300 to 330	-
Average realized price ³	-	\$49.00/lb ²	-	-
Average unit cost of sales (including D&A)	-	\$36.00-38.00/lb ⁴	\$21.60-22.60/kgU	-
Gross profit ⁵	-	-	-	3% to 4%
Direct administration costs ⁶	\$150-160 million	-	-	-
Exploration costs	-	\$30 million	-	-
Expected loss on derivatives - ANE basis ³	\$45-50 million	-	-	-
Tax expense - ANE basis ⁷	\$10-20 million	-	-	-
Capital expenditures ⁸	\$175 million	-	-	-

¹Our 2017 outlook for sales/delivery volume and revenue does not include sales between our uranium, fuel services and NUKEM segments.

²Our uranium sales/delivery volume is based on the volumes we currently have commitments to deliver under contract in 2017.

³Based on a uranium spot price of \$20.10 (US) per pound (the UxC spot price as of June 26, 2017), a long-term price indicator of \$32.00 (US) per pound (the UxC long-term indicator on June 26, 2017) and an exchange rate of \$1.00 (US) for \$1.30 (Cdn).

⁴Based on the expected unit cost of sale for produced material and committed long-term purchases. If we make discretionary purchases in the remainder of 2017, then we expect the overall unit cost of sales may be affected.

⁵Gross profit excludes inventory write-downs to reflect net realizable value.

⁶Direct administration costs do not include stock-based compensation expenses. See page 9 for more information.

⁷Our outlook for the tax expense is based on adjusted net earnings and the other assumptions listed in the table. If other assumptions change then the expected expense may be affected.

⁸Capital expenditures do not include adjustments for revenue from sales of pre-commercial production.

Source: Cameco Corporation

As part of the re-vamped disclosure policy first announced in Q4/16, Cameco provided sensitivity analysis to approximate how the portfolio of long term contracts (valid as of June 30, 2017) would respond to different spot prices. The price sensitivities are as follows:

Exhibit 3. Revenue, adj. earnings and cash flow sensitivity analysis

FOR 2017 (\$ MILLIONS)	CHANGE	IMPACT ON:		
		REVENUE	ANE	CASH FLOW
Uranium spot and term price ¹	\$5(US)/lb increase	22	15	17
	\$5(US)/lb decrease	(18)	(11)	(13)
Value of Canadian dollar vs US dollar	One cent decrease in CAD	9	4	4
	One cent increase in CAD	(9)	(4)	(4)

¹ Assuming change in both UxC spot price (\$20.10 (US) per pound on June 26, 2017) and the UxC long-term price indicator (\$32.00 (US) per pound on June 26, 2017)

Source: Cameco Corporation

Exhibit 4. Expected realized price sensitivity under various spot prices

SPOT PRICES (\$US/lb U ₃ O ₈)	\$20	\$40	\$60	\$80	\$100	\$120	\$140
2017	Provided in financial outlook table and in revenue, adjusted net earnings, and cash flow sensitivity analysis						
2018	38	45	56	66	75	83	90
2019	34	44	56	66	75	82	88
2020	36	44	57	66	74	81	86
2021	32	43	57	67	75	84	91

Source: Cameco Corporation

CANADA REVENUE AGENCY

The current trial affecting tax years 2003, 2005, and 2006 is nearing conclusion with closing arguments expected during the 2nd week of September. A decision is still expected 6-18 months after the trial concludes.

Cameco noted that it has received the 2011 assessment, which levies a \$78M penalty from the CRA. As per Canadian laws, Cameco will be paying \$39M (50%) in Q3/17 but intends on disputing this assessment. No other news items or changes have been announced and none of the parties involved have requested a court mediated decision.

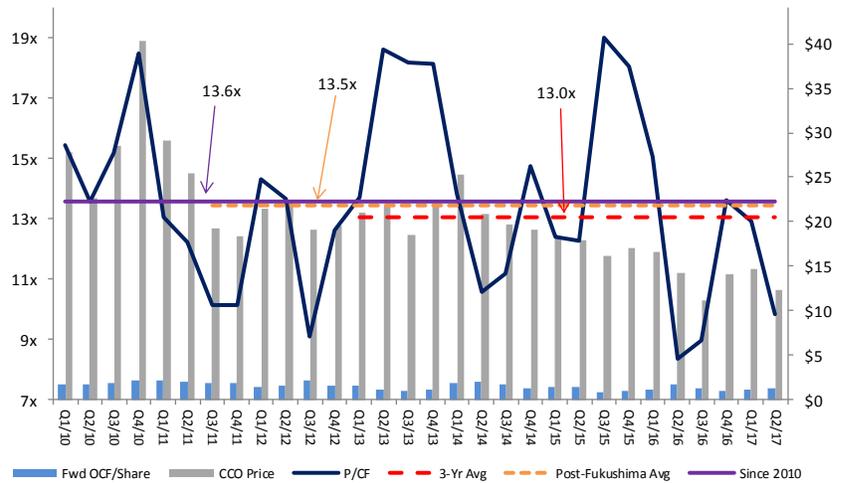
A detailed overview of the CRA issue can be found in Appendix D.

RECOMMENDATION AND VALUATION

We are maintaining our BUY recommendation and are increasing our target price to \$16.00/share for Cameco, or by 2%. Our valuation is based on a 13.0x times multiple to our forecast of the company’s cash flow per share over the next four quarters (\$1.23/share). The valuation increased as a result of the increased revenue guidance as well as the impact of a 0.5% reduction in Saskatchewan tax.

Note that historically, Cameco has traded at an average multiple of 13.0x-13.6x with 13.5x being the average post-Fukushima. It trades at a 10.4x multiple as of last close.

Exhibit 5. Historical Price to Forward Cash Flow



Source: Cantor Fitzgerald Canada Research

Our NAV estimate changes to \$19.11/share from \$18.07/share, on the strength of the guidance upgrade and the application of a 0.5% reduction in Saskatchewan corporate tax.

Exhibit 6. Cameco NAV

Projects	Cameco Corporation		Comment
	NAV (\$C Millions) Per Share		
Uranium, Fuel Services, and Nukem Divisions	5,774.0	\$14.59	2018 DCF @ 8% Discount Rate
Wheeler River/Millennium/Kintyre	192.3	\$0.49	In-Situ Valuations
UEX Corp.	10.0	\$0.03	22.58% Ownership at a 20% discount
Working Capital	1,588.9	\$4.01	Q2/17 Financials
Total	7,565.2	\$19.11	

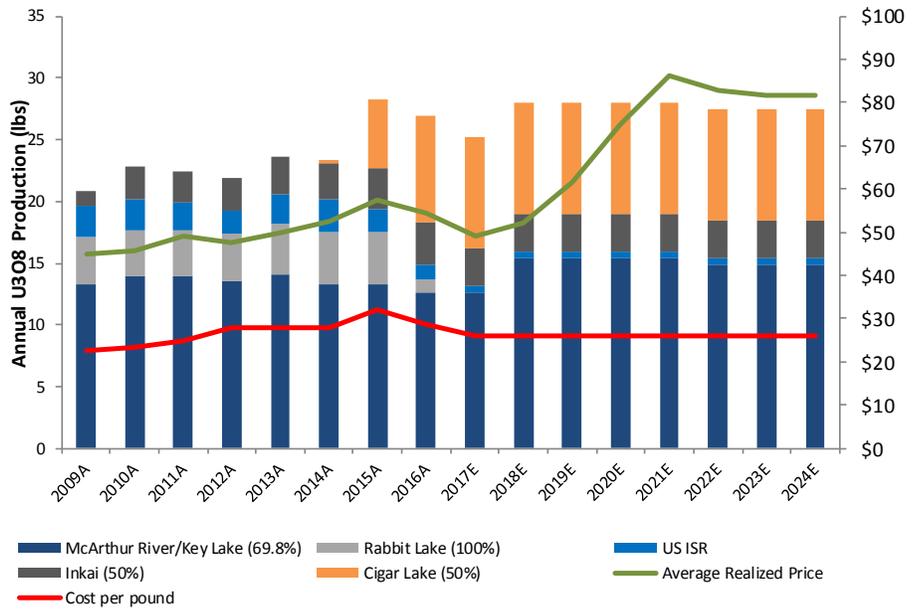
Source: Cantor Fitzgerald Canada Research

Exhibit 7. Uranium Price History and Forecast

	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E
U3O8 Price	\$38.17	\$33.21	\$36.55	\$25.64	\$22.14	\$28.75	\$42.50	\$62.50

Source: Cantor Fitzgerald Canada Research and TradeTech

Exhibit 8. Uranium Production, Realized Price and Cost Profile



Source: Cantor Fitzgerald Canada Research

APPENDIX A: VARIANCE TABLE

Exhibit 9. Q2/17 Variance Table

	Reported Q2/17A	Adjusted Q2/17A	CF Estimates Q2/17E	Variance with Est. % Change	Reported Q1/17A	Variance Qtr-over-Qtr % Change	Reported Q2/16A	Variance Yr-over-Yr % Change
INCOME STATEMENT (in C\$ 000's)								
Total revenue	469,740.0	469,740.0	409,510.7	14.7%	392,546.0	19.7%	466,397.0	0.7%
Operating costs	298,199.0	298,199.0	287,026.3	3.9%	294,950.0	1.1%	306,401.0	-2.7%
Gross margin	171,541.0	171,541.0	122,484.4	40.1%	97,596.0	75.8%	159,996.0	7.2%
Gross margin %	36.5%	36.5%	29.9%		24.9%		34.3%	
Depreciation and amortization	78,671.0	78,671.0	79,870.4	-1.5%	42,230.0	86.3%	117,306.0	-32.9%
General and administrative	43,719.0	43,719.0	39,763.0	9.9%	40,711.0	7.4%	60,596.0	-27.9%
Exploration	6,047.0	6,047.0	6,549.7	-7.7%	10,351.0	-41.6%	11,549.0	-47.6%
Research and development	2,368.0	2,368.0	984.3	140.6%	1,999.0	18.5%	1,798.0	31.7%
Gain on sale of assets	5,203.0	5,203.0	210.0	NM	(630.0)	NM	5,212.0	-0.2%
Other expenses	(11,409.0)	(11,409.0)	(15,189.7)	NM	5,569.0	NM	124,368.0	NM
Operating earnings	46,942.0	46,942.0	10,296.7	355.9%	(2,634.0)	NM	(160,833.0)	NM
Net Finance Expenses	(27,086.0)	(27,086.0)	(16,386.0)	NM	(26,486.0)	NM	(30,604.0)	NM
Other expense	7,814.0	7,814.0	(15,393.0)	NM	15,094.0	-48.2%	(8,158.0)	NM
Net earnings before tax	27,670.0	27,670.0	(21,482.3)	NM	(14,026.0)	NM	(199,595.0)	NM
Income tax (reversal) expense	29,296.0	29,296.0	2,310.6	NM	4,080.0	NM	(64,546.0)	NM
Tax rate	105.9%	105.9%	-10.8%	NM	-29.1%	NM	32.3%	227.4%
Non-controlling Interest	(62.0)	(62.0)	-	NM	(66.0)	NM	2,319.0	NM
Net earnings (as reported)	(1,564.0)	(1,564.0)	(23,792.9)	NM	(18,040.0)	NM	(135,049.0)	NM
Adjustments	(42,000.0)	-	-	NM	(11,000.0)	NM	80,000.0	NM
Adjusted earnings	(43,564.0)	(1,564.0)	(23,792.9)	NM	(29,040.0)	NM	(57,368.0)	NM
Operating EPS	\$0.12	\$0.12	\$0.03	355.9%	-\$0.01	NM	-\$0.41	NM
Earnings Per Share - Basic	-\$0.00	-\$0.00	-\$0.06	NM	-\$0.05	NM	-\$0.35	NM
Adjusted Earnings Per Share - Basic	-\$0.11	-\$0.11	-\$0.06	NM	-\$0.07	NM	-\$0.14	NM
Adjusted Earnings Per Share - Fully Diluted	-\$0.11	-\$0.00	-\$0.06	NM	-\$0.07	NM	-\$0.14	NM
<i>Source: Cameco and Cantor Fitzgerald Canada Estimates</i>								
REVENUE (in C\$ millions)								
Uranium	298.3	298.3	286.7	4.0%	260.1	14.7%	256.2	16.4%
Fuel/ Conversion Services	82.4	82.4	81.8	0.7%	54.5	51.3%	80.9	1.9%
NUKEM	88.5	88.5	41.0	116.0%	77.6	14.0%	129.0	-31.4%
Electricity	-	-	-	NM	-	NM	-	NM
Total	469.1	469.1	409.5	14.6%	392.2	19.6%	466.0	0.7%
Costs (in C\$ millions)								
Uranium	158.9	158.9	189.5	-16.1%	182.1	-12.7%	165.6	-4.1%
Fuel/ Conversion Services	48.8	48.8	59.4	-17.9%	34.3	41.9%	53.9	-9.5%
NUKEM	91.4	91.4	38.2	139.4%	78.3	16.7%	86.4	5.8%
Electricity	-	-	-	NM	-	NM	-	NM
Total	299.1	299.1	287.0	4.2%	294.7	1.5%	305.9	-2.2%
EBIT								
Uranium	84.1	84.1	(72.9)	NM	29.2	187.9%	(103.3)	NM
Fuel/ Conversion Services	24.4	24.4	16.6	47.2%	14.0	74.1%	18.8	30.0%
NUKEM	(15.5)	(15.5)	(2.7)	NM	(8.4)	NM	(14.8)	NM
Electricity	-	-	-	NM	-	NM	-	NM
Total	92.9	92.9	(59.1)	NM	34.8	166.9%	(99.3)	NM
PRODUCTION (CCO'S SHARE)								
Uranium production (M lbs)	7.1	7.1	6.2	15.1%	6.7	6.0%	7.0	1.4%
Uranium conversion (M kgU)	2.2	2.2	1.8	22.2%	2.6	-15.4%	2.6	-15.4%
SALES (CCO'S SHARE)								
Uranium (M lbs)	6.1	6.1	6.3	-3.2%	5.7	7.0%	4.6	32.6%
Fuel/ Conversion Services (M kgU)	2.7	2.7	3.1	-13.8%	1.6	68.8%	2.9	-6.9%
NUKEM (M lbs USO8)	2.5	2.5	0.9	177.8%	2.3	8.7%	2.4	4.2%
NUKEM (M SMU)	103.0	103.0	41.7	147.1%	78.0	32.1%	139.0	-25.9%
REALIZED PRICES								
Uranium (US\$/lb)	\$36.51	\$36.51	\$33.89	7.7%	\$34.43	6.0%	\$42.91	-14.9%
Fuel/ Conversion Services (C\$/kgU)	\$30.46	\$30.46	\$25.29	20.4%	\$33.22	-8.3%	\$27.75	9.8%
TOTAL COSTS								
Cash Cost of Uranium (C\$/lb)	\$13.53	\$13.53	\$16.59	-18.4%	\$14.54	-6.9%	\$15.96	-15.2%
Total Production Cost (C\$/lb)	\$24.12	\$24.12	\$27.47	-12.2%	\$24.88	-3.1%	\$27.03	-10.8%
Average Unit Cost of Sales (C\$/lb)	\$35.29	\$35.29	\$40.72	-13.3%	\$37.72	-6.4%	\$47.46	-25.6%
Production (CCO's share)								
McArthur River/Key Lake (69.8%)	3.6	3.6	3.0	20.0%	3.6	0.0%	3.8	-5.3%
Rabbit Lake (100%)	0.0	0.0	0.0	NM	0.0	NM	0.4	NM
Smith Ranch-Highland (100%)	0.1	0.1	0.1	0.0%	0.1	0.0%	0.5	-80.0%
Crow Butte (100%)	0.1	0.1	0.0	200.0%	0.0	NM	0.2	-50.0%
Inkai (50%)	0.8	0.8	0.8	0.0%	0.7	14.3%	0.9	-11.1%
Ogar Lake (50%)	2.5	2.5	2.2	11.9%	2.3	8.7%	0.0	NM
Total	7.1	7.1	6.2		6.7		5.8	
Shares Basic	395,793	395,793	395,793	0.0%	395,793	0.0%	395,390	0.1%
Shares Diluted	404,288	404,288	404,335	0.0%	404,335	0.0%	395,489	2.2%

Source: Cameco Corporation, Cantor Fitzgerald Canada estimates

APPENDIX B: FINANCIAL STATEMENT ANALYSIS

Exhibit 10. Cash Flow Analysis

*In C\$ 000s	2014A	2015A	2016A	2017E	2018E	2019E
Cash Flows from Operations						
Net Income	183,413	63,362	-59,879	91,525	297,893	480,818
Adjustments	296,769	386,648	372,259	308,811	497,394	559,477
	480,182	450,010	312,380	400,336	795,287	1,040,295
Cash Flows from Investments						
Additions to property, plant & equipment	-480,108	-358,562	-216,908	-175,000	-250,000	-250,000
Other	459,366	17,775	-912	9,185	0	0
	-20,742	-340,787	-217,820	-165,815	-250,000	-250,000
Cash Flows from Financings						
Change in Debt	145,430	-10	0	-2,107	0	0
Issuance of Shares/Stock Option Plan	6,228	0	0	4	0	0
Other	-235,550	-227,820	-228,756	-192,992	-158,317	-158,317
	-83,892	-227,830	-228,756	-195,095	-158,317	-158,317
Net Change in Cash	375,548	-118,607	-134,196	39,426	386,970	631,978

Source: Cameco Corporation, Cantor Fitzgerald Canada Estimates

Exhibit 11. Balance Sheet Analysis

*In C\$ 000s	2014A	2015A	2016A	2017E	2018E	2019E
Current Assets						
Cash & Equivalents	566,583	458,604	320,278	359,917	746,887	1,378,865
Other	1,501,123	1,725,361	1,721,555	1,634,015	1,634,015	1,634,015
	2,067,706	2,183,965	2,041,833	1,993,932	2,380,902	3,012,880
Fixed Assets						
Property, Plant and Equipment	5,291,021	5,228,160	4,655,586	4,488,964	4,432,877	4,376,790
Other	1,113,940	1,382,512	1,551,779	1,509,488	1,509,488	1,509,488
	6,404,961	6,610,672	6,207,365	5,998,452	5,942,365	5,886,278
Total Assets	8,472,667	8,794,637	8,249,198	7,992,384	8,323,267	8,899,158
Current Liabilities						
Accounts Payable	316,258	317,856	312,900	197,411	197,411	197,411
Other	199,556	353,781	156,355	130,426	130,426	130,426
	515,814	671,637	469,255	327,837	327,837	327,837
Non-Current Liabilities						
Long Term Debt	1,491,198	1,492,237	1,493,327	1,493,886	1,493,886	1,493,886
Other	1,021,851	1,085,484	1,028,088	963,531	963,531	963,531
	2,513,049	2,577,721	2,521,415	2,457,417	2,457,417	2,457,417
Shareholders' Equity						
Share Capital	1,862,646	1,862,646	1,862,646	1,862,652	1,862,652	1,862,652
Other	3,581,158	3,682,633	3,395,882	3,344,478	3,675,362	4,251,254
	5,443,804	5,545,279	5,258,528	5,207,130	5,538,014	6,113,906
Total Liabilities and Equity	8,472,667	8,794,637	8,249,198	7,992,384	8,323,268	8,899,160

Source: Cameco Corporation, Cantor Fitzgerald Canada Estimates

Exhibit 12. Profit and Loss Analysis

*In C\$ 000s	2014A	2015A	2016A	2017E	2018E	2019E
Revenue	2,397,532	2,754,378	2,431,404	2,105,829	2,387,726	2,774,599
Operating Expenses	1,420,768	1,744,815	1,596,235	1,420,716	1,437,209	1,546,088
Depreciation	338,983	312,518	371,689	264,172	306,087	306,087
Gross Profit	637,781	697,045	463,480	420,941	644,430	922,424
Exploration	46,565	40,259	42,579	30,000	30,000	30,000
Other	552,884	411,211	562,686	129,000	130,459	171,932
Earnings from Operations	38,332	245,575	-141,785	261,941	483,971	720,492
Finance Cost	-77,122	-103,615	-111,906	-92,447	-73,403	-73,403
Other	-80,308	-221,228	99,457	-57,969	-5,273	7,085
EBT	-119,098	-79,268	-154,234	111,525	405,295	654,174
Tax	-175,268	-142,630	-94,355	20,000	107,403	173,356
Net Income	56,170	63,362	-59,879	91,525	297,892	480,818
EPS	1.04	0.86	0.36	0.10	0.75	1.21

Source: Cameco Corporation, Cantor Fitzgerald Canada Estimates

APPENDIX C: RESOURCE INVENTORY

Exhibit 13. Cameco Global Resource & Reserve Inventory

PROVEN AND PROBABLE

(tonnes in thousands; pounds in millions)

PROPERTY	MINING METHOD	PROVEN			PROBABLE			TOTAL MINERAL RESERVES			OUR SHARE	METALLURGICAL RECOVERY (%)
		TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)	TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)	TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)	RESERVES CONTENT (LBS U ₃ O ₈)	
Cigar Lake	UG	209.6	19.86	91.8	403.8	13.84	123.2	613.4	15.90	215.0	107.6	98.5
Key Lake	OP	61.1	0.52	0.7	-	-	-	61.1	0.52	0.7	0.6	98.7
McArthur River	UG	1,184.9	9.57	250.1	562.5	9.64	119.5	1,747.4	9.60	369.7	258.1	98.7
Crow Butte	ISR	583.0	0.03	0.4	-	-	-	583.0	0.03	0.4	0.4	85
Inkai	ISR	33,193.4	0.07	48.6	30,717.0	0.05	32.0	63,910.3	0.06	80.6	46.3	85
North Butte - Brown Ranch	ISR	364.5	0.08	0.7	-	-	-	364.5	0.08	0.7	0.7	60
Smith Ranch - Highland	ISR	444.7	0.10	1.0	34.2	0.13	0.1	478.9	0.10	1.1	1.1	80
Total		36,041.2	-	393.3	31,717.5	-	274.8	67,758.7	-	668.1	414.7	-

(UG – underground, OP – open pit, ISR – in situ recovery, totals may not add up due to rounding.)

Note that the estimates in the above table:

- use constant dollar average uranium prices, varying over time, from \$40 to \$50 (US)/lb U₃O₈
- are based on an average exchange rate of \$1.00 US=\$1.20 to \$1.25 Cdn

MEASURED, INDICATED AND INFERRED

(tonnes in thousands; pounds in millions)

PROPERTY	MEASURED RESOURCES (M)			INDICATED RESOURCES (I)			TOTAL M+I CONTENT (LBS U ₃ O ₈)	OUR SHARE TOTAL M+I CONTENT (LBS U ₃ O ₈)	INFERRED RESOURCES			OUR SHARE INFERRED CONTENT (LBS U ₃ O ₈)
	TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)	TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)			TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)	
Cigar Lake	1.3	4.71	0.1	235.7	16.24	84.4	84.5	42.3	128.4	7.36	20.8	10.4
Fox Lake	-	-	-	-	-	-	-	-	386.7	7.99	68.1	53.3
Kintyre	-	-	-	3,897.7	0.62	53.5	53.5	37.5	517.1	0.53	6.0	4.2
McArthur River	43.4	4.36	4.2	16.8	1.79	0.7	4.8	3.4	95.9	5.20	11.0	7.7
Millennium	-	-	-	1,442.6	2.39	75.9	75.9	53.0	412.4	3.19	29.0	20.2
Wheeler River	-	-	-	166.4	19.13	70.2	70.2	21.1	842.5	2.38	44.1	13.2
Rabbit Lake	-	-	-	2,281.5	0.79	39.7	39.7	39.7	2,631.4	0.58	33.6	33.6
Tamarack	-	-	-	183.8	4.42	17.9	17.9	10.3	45.6	1.02	1.0	0.6
Yeelirrie	27,172.9	0.16	95.9	12,178.3	0.12	32.2	128.1	128.1	-	-	-	-
Crow Butte	1,418.2	0.21	6.6	1,354.9	0.29	8.6	15.2	15.2	1,135.2	0.12	2.9	2.9
Gas Hills-Peach	687.2	0.11	1.7	3,626.1	0.15	11.6	13.3	13.3	3,307.5	0.08	6.0	6.0
Inkai	34,855.4	0.07	55.3	77,914.4	0.05	86.0	141.3	81.3	151,583.1	0.05	149.9	86.2
North Butte-Brown Ranch	604.2	0.08	1.1	5,530.3	0.07	8.4	9.4	9.4	294.5	0.07	0.4	0.4
Ruby Ranch	-	-	-	2,215.3	0.08	4.1	4.1	4.1	56.2	0.14	0.2	0.2
Shirley Basin	89.2	0.16	0.3	1,638.2	0.11	4.1	4.4	4.4	508.0	0.10	1.1	1.1
Smith Ranch-Highland	3,354.0	0.10	7.1	14,338.1	0.05	16.9	24.0	24.0	6,861.0	0.05	7.7	7.7
Total	68,225.8	-	172.3	127,020.2	-	514.1	686.4	487.0	168,805.5	-	382.0	247.9

Totals may not add up due to rounding.

Note that mineral resources:

- do not include amounts that have been identified as mineral reserves
- do not have demonstrated economic viability

Source: Cameco Corporation

APPENDIX D: CRA OVERVIEW

Since 2008, the Canada Revenue Agency (“CRA”) has disputed Cameco’s corporate structure and the related transfer pricing methodology used for certain intercompany uranium sale and purchase agreements. From 2008 to date, Cameco has received notices of reassessment for the years 2003 through 2011 tax returns. Cameco has recorded a cumulative tax provision of \$58M where an argument could be made that its transfer price may have fallen outside of an appropriate range of pricing in uranium contracts for the period from 2003 through March 31, 2017.

Note that the provision amount was reduced in Q4/15 to reflect management’s revised estimate, which takes into account additional contract information. Cameco remains confident that it will be successful in the case and that the ultimate resolution of this matter will not be material to the company’s financial position. We view this move positively as it underscores the confidence management has in its case.

For the years 2003 through 2011, the CRA issued notices of reassessment for approximately \$4.1B of additional income for Canadian tax purposes, which would result in a related tax expense of about \$1.2B. CRA has also issued notices of reassessment for transfer pricing penalties for the years 2007 through 2010 in the amount of \$292.4M. In July 2017, the CRA issued a reassessment charging a transfer pricing penalty of \$78M. The Canadian income tax rules include provisions that require larger companies such as Cameco to remit 50% of the cash tax plus related interest and penalties at the time of reassessment. Half of the \$78M amount will be paid by Cameco in Q3/17. As of June 30, 2017, under the stated provisions and after applying elective deductions, Cameco has paid a net amount of \$264M cash. Additionally, Cameco has provided \$421M in letters of credit to secure 50% of the cash taxes and related interest amounts reassessed after 2014 (exhibit 14).

Exhibit 14. Cameco Payments to the Government of Canada

YEAR PAID (\$ MILLIONS)	INTEREST AND INSTALMENT		TRANSFER	TOTAL	CASH REMITTANCE	SECURED BY LC
	CASH TAXES	PENALTIES	PRICING PENALTIES			
Prior to 2014	1	22	36	59	59	-
2014	106	47	-	153	153	-
2015	202	71	79	352	20	332
2016	51	38	31	120	32	88
2017	-	1	-	1	-	1
Total	360	179	146	685	264	421

Source: Cameco Corporation

Cameco has recorded a cumulative tax provision related to this matter for the years 2003 through the current period in the amount of \$56M. We note that Cameco currently has low leverage, cash (\$282M) on its balance sheet, has access to multiple undrawn credit facilities and has the ability to reduce capital expenditures if an unfavourable ruling causes it to pay a meaningful penalty amount.

Exhibit 15. Overview of Disputes

	CRA	IRS
Basis for dispute	<ul style="list-style-type: none"> • Corporate structure/governance • Transfer pricing methodology used for certain intercompany uranium sale and purchase agreements • Allocates Cameco Europe Ltd. (CEL) income (as adjusted) for 2003 through 2011 to Canada (same income we paid tax on in foreign jurisdictions and includes income that IRS is proposing to tax) 	<ul style="list-style-type: none"> • Income earned on sales of uranium by the US mines to CEL is inadequate • Compensation earned by Cameco Inc., one of our US subsidiaries, is inadequate • Allocates a portion of CEL's income for the years 2009 through 2012 to the US (a portion of the same income we paid tax on in foreign jurisdictions and which the CRA is proposing to tax)
Years under consideration	<ul style="list-style-type: none"> • CRA reassessed 2003 to 2011 • Auditing 2012 to 2014 	<ul style="list-style-type: none"> • IRS has proposed adjustments for 2009 through 2012 • Auditing 2013 to 2015
Timing of resolution	<ul style="list-style-type: none"> • The trial related to the 2003, 2005 and 2006 reassessments commenced in October 2016, with final arguments expected in the second half of 2017 • Expect Tax Court decision six to 18 months after completion of trial 	<ul style="list-style-type: none"> • Contesting proposed adjustments in an administrative appeal • We cannot yet provide an estimate as to the timeline for resolution
Required payments	<ul style="list-style-type: none"> • Expect to provide security in form of letters of credit and/or make cash payments for 50% of cash taxes, interest and penalties as reassessed • Paid \$264 million in cash to date • Secured \$420 million using letters of credit 	<ul style="list-style-type: none"> • No security or cash payments required while under administrative appeal

**Note: IRS case settled for US\$122,000 payment payable July, 2017*

Source: Cameco Corporation

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