

CAMECO CORPORATION

Q3/17 Revenues In-Line as Earnings Miss

EVENT

Cameco released its Q3/17 financial results and updated its FY/17 outlook.

BOTTOM LINE

Negative – Cameco missed on the bottom line with a reported -\$0.13/share adjusted loss compared with our and the consensus estimate of \$0.06/share. Cameco attributed the loss largely to lower average realized pricing during the quarter, higher unit production costs, and one-time costs, including a \$111M impairment to NUKEM's goodwill. FY/17 guidance for uranium production and average realized prices were lowered but forecast delivery volumes were increased. We are maintaining our BUY recommendation but are lowering our target price to \$14.50/share, or by 1%.

FOCUS POINTS

- **Production and pricing lower** – Cameco's production amounted to 3.1M lbs. while the average realized price was US\$32.42/lb. We were expecting 4.5M lbs along with an average realized price of US\$39.18/lb.
- **Production guidance lower** – FY/17 uranium production guidance was lowered from 25.2M lbs to 24.0M lbs, as has the average expected realized price, which went from US\$49.00/lb to US\$47.50/lb.
- **Sales guidance raised** – FY/17 uranium sales guidance was increased from a range of 30-32M to 32-34M lbs.
- **CRA Decision** – The trial concluded on September 13, a decision expected within 5-17 months.

Recommendation:

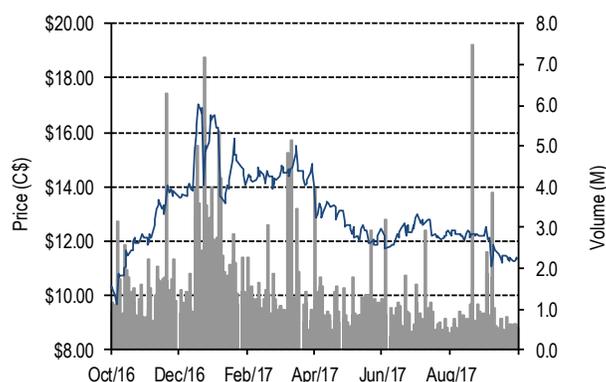
BUY

Symbol/Exchange:	CCO/TSX; CCJ/NYSE
Sector:	Metals and Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price	\$10.64; US\$8.30
One year target:	\$14.50↓
Return to target	36%
Market Capitalization	\$4.1 B
Cash on hand	\$352M
Yield	3.7%

Company Summary

Shares O/S (M)	395.8	52-week range	\$9.66- 17.04	
Market cap (\$M)	\$4,183.5	Avg. weekly vol. (000)	7.136	
Market float (\$M)	\$4,179.3	Fiscal year-end	31-Dec	
	2015A	2016A	2017E	2018E
Uranium Production (M lbs)	28.4	27.0	24.0	24.0
Revenue (\$M)	2,754.4	2,431.4	2,130.4	1,961.1
Operating Cost (\$M)	2,057.3	1,967.9	1,737.7	1,843.6
Avg Cost (US\$/lb)	\$33.85	\$24.68	\$20.20	\$22.65
EBITDA (\$M)	775.9	581.0	494.6	276.9
EPS	\$0.86	\$0.36	\$0.06	-\$0.13
CFPS	\$1.29	\$0.94	\$1.07	\$1.00

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.

REVENUES IN-LINE, EARNINGS DISAPPOINT

Cameco missed on the bottom line with a reported \$0.13/share adjusted loss compared with our and the consensus estimate of a gain of \$0.06/share. Cameco attributed the loss largely to lower average realized pricing during the quarter, higher unit production costs, loss of revenue due to the disputed TEPCO contract (hearing likely in Q1/19) and due to one-time costs, including a \$111M impairment to NUKEM's goodwill. Revenues of \$486M were in-line with our and consensus estimates of \$479M and \$489M.

Please see Appendix A below for the full Q3/17 variance table.

LOWER PRODUCTION AT HIGHER COST

Cameco's Q3/17 production amounted to 3.1M lbs. while we were expecting 4.5M lbs. The production figure was much lower to that of Q3/16 (5.9M lbs) as there was lower production from McArthur River/Key Lake and Cigar Lake due to the timing of planned maintenance and vacation shutdowns. The notable decline was from McArthur River/Key Lake in which production declined by 81% (0.6M lbs) when compared to Q3/16, which was due to an extended summer production shutdown that was planned in an effort to reduce costs. The shutdown consisted of a four-week period in July, followed by a two-week maintenance period at McArthur River, and a four-week maintenance period at Key Lake. Also during the quarter, 0.5M lbs were purchased at an average cost of C\$36.83/lb. As of September 30, 2017, 27.6M lbs of U3O8 equivalent are held in inventory.

Production costs for the quarter averaged C\$40.73/lb., which was notably higher than our forecast of C\$27.80/lb as well as relative to sequential and year-over-year figures of C\$24.12/lb and C\$29.38/lb. This is due in large part to the lower production levels as fixed costs were spread across fewer pounds of production.

Sales amounted to 9.2M lbs. at an average realized price of US\$32.42/lb. (or C\$41.66/lb.). We were forecasting sales of 6.5M lbs. at an average realized price of US\$39.18/lb. (or C\$49.11/lb.). Note that 9.3M lbs were sold during the same quarter last year. Uranium revenues of \$486M decreased by 27% compared to Q3/16 largely due to the decrease in the average realized price, which fell by 25% (US\$43.37/lb).

FY/17 URANIUM GUIDANCE UPDATED; LOWER PRODUCTION, HIGHER DELIVERIES

Given the lengthy shutdowns and maintenance periods, FY/17 uranium production guidance has been lowered from 25.2M lbs to 24.0M lbs. The average expected realized price has also declined, going from \$49.00/lb to \$47.50/lb. Forecast delivery volumes have increased however, going from a mid-point of 31.0M lbs to 32.5M lbs currently.

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

	CF		Guidance		CF
	Q3/17a	Q3/17e	Q3/16a	FY 2017e	FY2017e
McArthur River/Key Lake	0.6	1.5	3.1	11.5	11.5
Cigar Lake	1.7	2.1	1.9	9.0	9.0
Inkai	0.8	0.8	0.6	3.1	3.1
Rabbit Lake	-	-	-	-	-
Smith Ranch-Highland	-	0.1	0.2	0.3	0.3
Crow Butte	-	-	0.1	0.1	0.1
Total	3.1	4.5	5.9	24.0	24.0

Source: Cameco Corporation, Cantor Fitzgerald Canada estimates

Two other changes to FY/17 guidance are total capex expenditures (now \$160M from \$175M previously) and tax expense on adjusted net earnings (now <\$10M expense from \$10-\$20M previously). While not explicitly noted in the financials, management also alluded to likelihood of 2018 and 2019 capex figures to come down from the \$250M levels that were previously guided. Management has not gone through the process of determining these figures yet but we estimate that those levels will be similar to the current 2017 guidance figures as expansion and development capital for McArthur River and Cigar Lake are slashed or removed altogether.

Exhibit 2. Updated FY/17 Guidance

	CONSOLIDATED	URANIUM	FUEL SERVICES	NUKEM
EXPECTED CONTRIBUTION TO GROSS PROFIT	100%	85%	14%	1%
Production	-	24.0 million lbs	8 to 9 million kgU	-
Sales/delivery volume ¹	-	32 to 33 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	1,520 to 1,570 ³	300 to 330	-
Average realized price ³	-	\$47.50/lb ²	-	-
Average unit cost of sales (including D&A)	-	\$35.00-36.00/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 million	-	-	-
Capital expenditures ⁸	\$160 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 \$20.25 (US) per pound (the UxC spot price as of September 30, 2017), a long-term price indicator of \$31.00 (US) per pound (the UxC long-term indicator on September 30, 2017) and an exchange rate of \$1.00 (US) for \$1.25 (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 September 30, 2017) would respond to different spot prices. Of particular note is the zero impact of lower uranium prices to the figures as the contract portfolio protects Cameco from any further weakness.

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	2	1	1
	\$5(US)/lb decrease	-	-	-
Value of Canadian dollar vs US dollar	One cent decrease in CAD	6	3	3
	One cent increase in CAD	(6)	(3)	(3)

¹ Assuming change in both UxC spot price (\$20.25 (US) per pound on September 30, 2017) and the UxC long-term price indicator (\$31.00 (US) per pound on September 30, 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	36	44	55	65	75	84	91
2019	32	42	55	65	74	81	87
2020	32	42	55	65	74	81	87
2021	30	42	57	67	76	84	92

Source: Cameco Corporation

NUKEM & FUEL SERVICES

The NUKEM division had a slower quarter in transactions compared to that of Q3/16. A total of 1.1M lbs. were delivered during the quarter, compared to 1.5M lbs delivered during this period last year. The notable decrease was from the average realized price, which amounted to C\$28.72/lb., compared to \$43.52/lb during the same period last year. NUKEM’s contributions to quarterly revenues amounted to \$32M, a 52% decline from Q3/16. Note that for the year, there was no net write-down of inventory.

From the Fuel Services division, production volumes during the quarter amounted to 0.6M kgU, exactly in-line as last year. On sales volume of 2.5M kgU at an average realized price of C\$27.27/kgU, revenues amounted to C\$69.0M, a figure approximately 10% below that of last year. This was primarily due to a 23% increase in average realized price, offset by a 29% decrease in sales volumes when compared to last year.

CANADA REVENUE AGENCY

The current trial affecting tax years 2003, 2005, and 2006 has concluded on September 13, 2017. A decision is still expected 6-18 months after that date.

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

TEPCO CONTRACT DISPUTE

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.

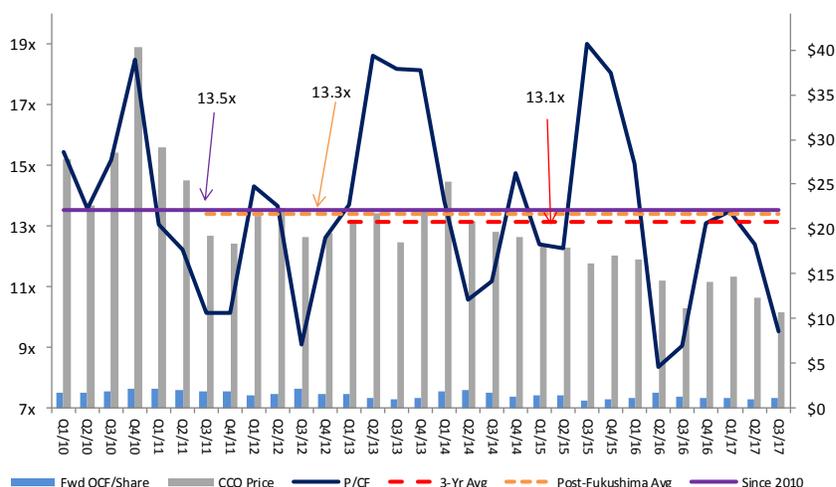
Cameco previously revealed that the termination affects about 9.3M lbs. of uranium deliveries through 2028, which is estimated to be worth about \$1.3B in revenue. For 2017, 2018, and 2019 the impact would be 855,000 lbs. of uranium or about \$126M annually. Cameco expects this case to have a hearing by Q1/19.

RECOMMENDATION AND VALUATION

We are maintaining our BUY recommendation and are decreasing our target price to \$14.50/share for Cameco, or by 1%. 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 (\$1.12/share). The valuation decreased because of a reduction in our forecast production and sales for 2018 by about 2 M lbs U₃O₈. While Cameco did not state this, the company did hint towards further “variances” in future years and we take that to mean additional cutbacks will be coming.

Note that historically, Cameco has traded at an average multiple of 13.2x-13.5x with 13.5x being the average post-Fukushima. It trades at a 9.5x multiple as of last close.

Exhibit 5. Historical Price to Forward Cash Flow



Source: Cantor Fitzgerald Canada Research

Our NAV estimate changes to \$14.31/share from \$18.21/share, or by 21%, to reflect our adjustment of the ramp up of McArthur River production capacity from 2019 to 2022. On the conference call, management was explicit in stating that they would, “not invest one cent”, in the expansion of McArthur River or Cigar Lake mines at the current price level. Given that we forecast uranium prices to stay below US\$40/lb until 2020, we have pushed the start-up of increased production back to 2022. This may still prove to be optimistic.

Exhibit 6. Cameco NAV

Projects	NAV (\$C Millions) Per Share		Comment
Uranium, Fuel Services, and Nukem Divisions	3,963.2	\$10.01	2018 DCF @ 8% Discount Rate
Wheeler River/Millennium/Kintyre	171.6	\$0.43	In-Situ Valuations
UEX Corp.	6.4	\$0.02	22.58% Ownership at a 20% discount
Working Capital	1,520.9	\$3.84	Q3/17 Financials
Total	5,662.1	\$14.31	

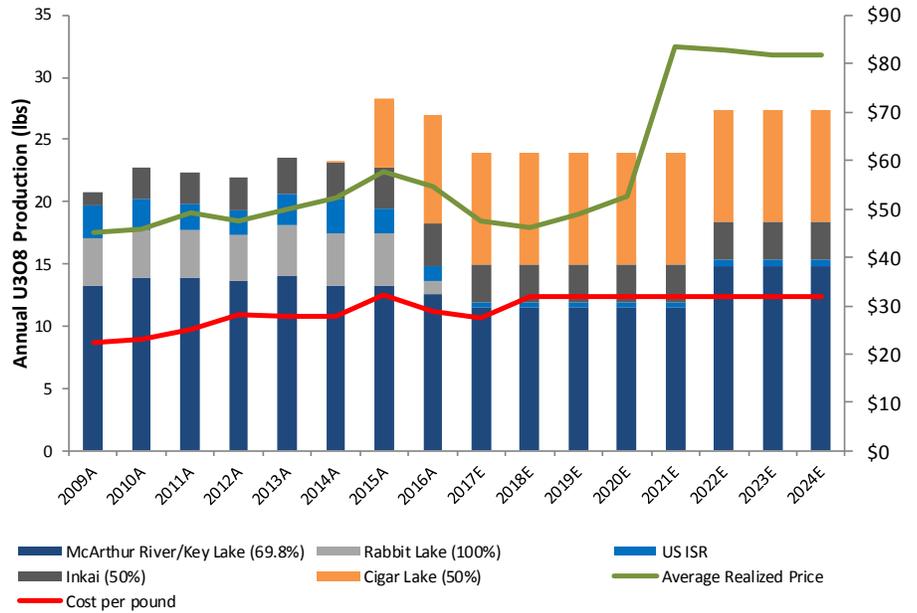
Source: Cantor Fitzgerald Canada Research

Exhibit 7. Uranium Price History and Forecast

	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E
U ₃ O ₈ Price	\$38.17	\$33.21	\$36.55	\$25.64	\$21.43	\$25.00	\$32.75	\$40.75

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. Q3/17 Variance Table

	Reported Q3/17A	Adjusted Q3/17A	CF Estimates Q3/17E	Variance with Est. % Change	Reported Q2/17A	Variance Qtr-over-Qtr % Change	Reported Q3/16A	Variance Yr-over-Yr % Change
INCOME STATEMENT (in C\$ 000's)								
Total revenue	485,594.0	485,594.0	479,549.0	1.3%	469,740.0	3.4%	669,654.0	-27.5%
Operating costs	337,941.0	337,941.0	337,530.6	0.1%	298,199.0	13.3%	411,704.0	-17.9%
Gross margin	147,653.0	147,653.0	142,018.4	4.0%	171,541.0	-13.9%	257,950.0	-42.8%
Gross margin %	30.4%	30.4%	29.6%		36.5%		38.5%	
Depreciation and amortization	96,626.0	96,626.0	60,112.7	60.7%	78,671.0	22.8%	111,811.0	-13.6%
General and administrative	40,132.0	40,132.0	21,859.5	83.6%	43,719.0	-8.2%	38,689.0	3.7%
Exploration	8,080.0	8,080.0	6,801.0	18.8%	6,047.0	33.6%	9,643.0	-16.2%
Research and development	943.0	943.0	2,316.5	-59.3%	2,368.0	-60.2%	1,347.0	-30.0%
Gain on sale of assets	1,207.0	1,207.0	(2,286.5)	NM	5,203.0	-76.8%	439.0	174.9%
Other expenses	102,061.0	40,061.0	(17,080.0)	NM	(11,409.0)	NM	(6,319.0)	NM
Operating earnings	(101,396.0)	(39,396.0)	70,295.1	NM	46,942.0	NM	102,340.0	NM
Net Finance Expenses	(25,876.0)	(25,876.0)	(17,836.2)	NM	(27,086.0)	NM	(25,844.0)	NM
Other expense	879.0	879.0	(29,702.2)	NM	7,814.0	-88.8%	55,787.0	-98.4%
Net earnings before tax	(126,393.0)	(64,393.0)	22,756.7	NM	27,670.0	NM	132,283.0	NM
Income tax (reversal) expense	(2,636.0)	(14,636.0)	(3,177.0)	NM	29,296.0	NM	(10,407.0)	NM
Tax rate	2.1%	22.7%	-14.0%	NM	105.9%	-98.0%	-7.9%	NM
Non-controlling Interest	(45.0)	(45.0)	-	NM	(62.0)	NM	545.0	NM
Net earnings	(123,712.0)	(49,712.0)	25,933.8	NM	(1,564.0)	NM	142,690.0	NM
Adjustments	74,000.0	-	-	NM	(42,000.0)	NM	(24,000.0)	NM
Adjusted earnings	(49,712.0)	(49,712.0)	25,933.8	NM	(43,564.0)	NM	118,145.0	NM
Operating EPS	-\$0.26	-\$0.10	\$0.18	NM	\$0.12	NM	\$0.26	NM
Earnings Per Share - Basic	-\$0.31	-\$0.13	\$0.07	NM	-\$0.00	NM	\$0.36	NM
Adjusted Earnings Per Share - Basic	-\$0.13	-\$0.13	\$0.07	NM	-\$0.11	NM	\$0.30	NM
Adjusted Earnings Per Share - Fully Diluted	-\$0.13	-\$0.13	\$0.06	NM	-\$0.11	NM	\$0.29	NM
<i>Source: Cameco and Cantor Fitzgerald Canada Estimates</i>								
REVENUE (in C\$ millions)								
Uranium	384.8	384.8	319.2	20.5%	298.3	29.0%	526.2	-26.9%
Fuel/ Conversion Services	69.0	69.0	81.8	-15.6%	82.4	-16.2%	77.3	-10.7%
NUKEM	31.6	31.6	78.6	-59.8%	88.5	-64.3%	66.6	-52.5%
Electricity	-	-	-	NM	-	NM	-	NM
Total	485.4	485.4	479.5	1.2%	469.1	3.5%	670.1	-27.6%
Costs (in C\$ millions)								
Uranium	250.5	250.5	205.2	22.1%	158.9	57.7%	285.7	-12.3%
Fuel/ Conversion Services	55.0	55.0	64.9	-15.2%	48.8	12.9%	56.3	-2.2%
NUKEM	32.5	32.5	67.5	-51.9%	91.4	-64.5%	70.5	-54.0%
Electricity	-	-	-	NM	-	NM	-	NM
Total	338.0	338.0	337.5	0.1%	299.1	13.0%	412.5	-18.1%
EBIT								
Uranium	51.2	51.2	(91.9)	NM	84.1	-39.1%	197.8	-74.1%
Fuel/ Conversion Services	3.5	3.5	12.6	-72.0%	24.4	-85.5%	22.5	-84.3%
NUKEM	(119.0)	(119.0)	9.5	NM	(15.5)	NM	(15.8)	NM
Electricity	-	-	-	NM	-	NM	-	NM
Total	(64.3)	(64.3)	(69.7)	NM	92.9	NM	204.5	NM
PRODUCTION (CCO'S SHARE)								
Uranium production (M lbs)	3.1	3.1	4.5	-30.5%	7.1	-56.3%	5.9	-47.5%
Uranium conversion (M kgU)	0.6	0.6	1.6	-62.5%	2.2	-72.7%	0.6	0.0%
SALES (CCO'S SHARE)								
Uranium (M lbs)	9.2	9.2	6.5	41.5%	6.1	50.8%	9.3	-1.1%
Fuel/ Conversion Services (M kgU)	2.5	2.5	3.4	-25.4%	2.7	-7.4%	3.5	-28.6%
NUKEM (M lbs U3O8)	1.1	1.1	1.6	-31.3%	2.5	-56.0%	1.5	-26.7%
NUKEM (M SMU)	33.0	33.0	67.0	-50.8%	103.0	-68.0%	82.0	-59.8%
REALIZED PRICES								
Uranium (US\$/lb)	\$32.42	\$32.42	\$39.18	-17.2%	\$36.51	-11.2%	\$43.37	-25.2%
Fuel/ Conversion Services (C\$/kgU)	\$27.27	\$27.27	\$24.57	11.0%	\$30.46	-10.5%	\$22.09	23.4%
TOTAL COSTS								
Cash Cost of Uranium (C\$/lb)	\$24.40	\$24.40	\$16.30	49.7%	\$13.53	80.3%	\$16.31	49.6%
Total Production Cost (C\$/lb)	\$40.73	\$40.73	\$27.80	46.5%	\$24.12	68.9%	\$29.38	38.6%
Average Unit Cost of Sales (C\$/lb)	\$36.12	\$36.12	\$39.45	-8.4%	\$35.29	2.4%	\$39.97	-9.6%
Production (CCO's share)								
McArthur River/Key Lake (69.8%)	0.6	0.6	1.5	-58.8%	3.6	-83.3%	3.8	-84.2%
Rabbit Lake (100%)	0.0	0.0	0.0	NM	0.0	NM	0.4	NM
Smith Ranch-Highland (100%)	0.0	0.0	0.1	NM	0.1	NM	0.5	NM
Crow Butte (100%)	0.0	0.0	0.0	NM	0.1	NM	0.2	NM
Inkai (50%)	0.8	0.8	0.8	0.0%	0.8	0.0%	0.9	-11.1%
Cigar Lake (50%)	1.7	1.7	2.1	-19.0%	2.5	-32.0%	0.0	NM
Total	3.1	3.1	4.5		7.1		5.8	

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	3,627	-51,707	1,101,004
Adjustments	296,769	386,648	372,259	509,926	457,977	872,900
	480,182	450,010	312,380	513,553	406,270	1,973,904
Cash Flows from Investments						
Additions to property, plant & equipment	-480,108	-358,562	-216,908	-160,000	-180,000	-170,000
Other	459,366	17,775	-912	14,376	0	0
	-20,742	-340,787	-217,820	-145,624	-180,000	-170,000
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	-207,246	-158,317	-158,317
	-83,892	-227,830	-228,756	-209,349	-158,317	-158,317
Net Change in Cash	375,548	-118,607	-134,196	158,580	67,953	1,645,587

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	478,420	546,373	2,191,960
Other	1,501,123	1,725,361	1,721,555	1,514,923	1,514,923	1,514,923
	2,067,706	2,183,965	2,041,833	1,993,343	2,061,296	3,706,883
Fixed Assets						
Property, Plant and Equipment	5,291,021	5,228,160	4,655,586	4,404,229	4,227,389	4,040,549
Other	1,113,940	1,382,512	1,551,779	1,430,586	1,430,586	1,430,586
	6,404,961	6,610,672	6,207,365	5,834,815	5,657,975	5,471,135
Total Assets	8,472,667	8,794,637	8,249,198	7,828,158	7,719,271	9,178,018
Current Liabilities						
Accounts Payable	316,258	317,856	312,900	209,150	209,150	209,150
Other	199,556	353,781	156,355	136,680	136,680	136,680
	515,814	671,637	469,255	345,830	345,830	345,830
Non-Current Liabilities						
Long Term Debt	1,491,198	1,492,237	1,493,327	1,494,175	1,494,175	1,494,175
Other	1,021,851	1,085,484	1,028,088	922,426	922,426	922,426
	2,513,049	2,577,721	2,521,415	2,416,601	2,416,601	2,416,601
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	3,203,074	3,094,187	4,552,934
	5,443,804	5,545,279	5,258,528	5,065,726	4,956,839	6,415,586
Total Liabilities and Equity	8,472,667	8,794,637	8,249,198	7,828,157	7,719,270	9,178,017

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	2,130,444	1,961,128	2,072,439
Operating Expenses	1,420,768	1,744,815	1,596,235	1,439,836	1,486,794	1,544,460
Depreciation	338,983	312,518	371,689	297,825	356,840	356,840
Gross Profit	637,781	697,045	463,480	392,783	117,494	171,140
Exploration	46,565	40,259	42,579	30,000	30,000	30,000
Other	552,884	411,211	562,686	131,780	127,459	168,933
Earnings from Operations	38,332	245,575	-141,785	231,003	-39,965	-27,793
Finance Cost	-77,122	-103,615	-111,906	-110,579	-110,463	-110,463
Other	-80,308	-221,228	99,457	-106,797	80,077	1,636,220
EBT	-119,098	-79,268	-154,234	13,627	-70,351	1,497,964
Tax	-175,268	-142,630	-94,355	10,000	-18,643	396,960
Net Income	56,170	63,362	-59,879	3,627	-51,708	1,101,004
EPS	1.04	0.86	0.36	0.06	-0.13	2.78

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 RESERVES	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)	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	INFERRED RESOURCES			OUR SHARE
	TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)	TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)		TOTAL M+I CONTENT (LBS U ₃ O ₈)	TONNES	GRADE % U ₃ O ₈	CONTENT (LBS U ₃ O ₈)	INFERRED 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. Cameco has received notices of reassessment for the years 2003 through 2011 tax returns. Cameco has recorded a cumulative tax provision of \$56M 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 September 30, 2017.

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 2011 in the amount of \$371.0M. 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. To date, Cameco has paid a net amount of \$303M 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)	CASH TAXES	INTEREST	TRANSFER	TOTAL	CASH	SECURED BY
		AND INSTALMENT	PRICING			
		PENALTIES	PENALTIES		REMITTANCE	LC
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	39	40	39	1
Total	360	179	185	724	303	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 (\$352M) 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.

The case concluded on September 13, 2017 and a decision is expected within six to eighteen months of that date. Once the decision is issued, either party may appeal the Tax Court decision to the Federal Court of Appeal. The decision of the Federal Court of Appeal may then be appealed to the Supreme Court of Canada, but only if the Supreme Court agrees to hear the appeal. An appeal of a Tax Court of Canada decision to the Federal Court of Appeal must be filed within 30 days after the issuance of a Tax Court decision (excluding the months of July and August). The request to appeal a decision of the Federal Court of Appeal to the Supreme Court of Canada must be made within 60 days of issuance of a Federal Court of Appeal decision. In the event that either party appeals the Tax Court decision, Cameco anticipates that it would take about two years from the date the Tax Court decision is issued to receive a decision from the Federal Court of Appeal. If a further appeal is pursued, it is expected to take about two years from the date the Federal Court of Appeal decision is issued to receive a decision from the Supreme Court of Canada.

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The analyst responsible for this report *has* visited the material operations of Cameco. Assets visited include: McArthur River, Cigar Lake, and the Key Lake Mill. No payment or reimbursement was received for the related travel costs.

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

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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.

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