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Uranium Market Outlook

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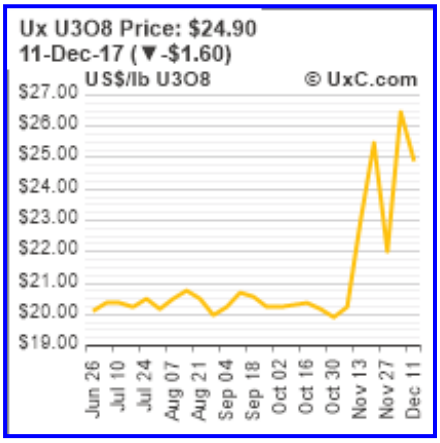

► Narrowing gap between spot price and long-term U3O8 price needed to improve uranium market sentiment

Expected by the market that **Cameco** would not extend the announced suspending operations period for 10 months, unless it purchases more uranium in the market, which it should if uranium prices remain at the current low price level, the U3O8 spot price moved up to a high for the year of $ 26.50 on December 4, 2017.
However, followed by the announced production cut of **Kazatomprom** by 20% over a period of 3 years, this longer-term expectations on the duration of a price recovery, pushed the spot price down by $ 1.60 to $ 24.90 last week.

OVERVIEW of U3O8 PRICES

	Spot		Long-term		Spot	Long-term
2017						
December 11	24.90		31.00	**Year-end 2016**	**20.25**	**30.00**
December 4 (high)	**26.50**		31.00	Year-end 2015	34.25	44.00
November 27	22.00		31.00	**May 31, 2015 (year high)**	**39.50**	50.00
October 31	20.15		30.00	Year-end 2014	35.50	49.00
September 27	20.25		31.50	**May 14, 2014 (year low)**	**28.25**	49.00
August 28	20.00		32.00	Year-end 2013	34.50	50.00
July 31	20.15		32.00	Year-end 2012	43.50	56.50
June 26	20.10		32.50	Year-end 2011	61.75	64.00
May 29	19.25		32.50			
May 1	22.50		33.00	Pre-Fukushima accident		
March 27	24.50		33.99	March 11, 2011	67.75	73.00
February 28	22.25		32.50			
February 6	26.00		32.50			
January 31	24.50		32.50			
January 9	22.00		30.00			
2016						
December 26	20.25		30.00			
November 28	**18.00**	*	33.00			
October 31	18.75		35.50			
September 26	23.75		38.00			
June 27	27.00		40.50			
March 28	29.15		43.50			

* *spot price 12-* year low

Cameco announced on December 4 that it will be suspending operations at its flagship McArthur River and Key Lake operations for 10 months, beginning February 2018. On a 100% basis the suspension removes about 13.7 million pounds U3O8 from the market, leaving total production of 14.4 million pounds U3O8 next year.

Based on committed sales volumes of 28 to 30 million pounds for the year, **Cameco** is expected to withdraw 13.6 million pounds from its U3O8 inventory to fulfil these commitments. As of its Q3/17 financials, **Cameco** reported U3O8 inventory of 27.6 million pounds at an average cost of C$ 31.59 (US$ 24.86/lb).
The Company's current contract book has average sales of 26 million pounds U3O8 per year over the next 5 years, with more being sold in earlier years.

► Kazatomprom to cut uranium production by 20% over a period of 3 years

On December 4, 2017, **Kazatomprom** announced that it will reduce planned uranium production by 20% to better align output with demand. The cuts will be enacted for a period of 3 years beginning in January 2018.
The 20% of uranium production cuts under Subsoil Use Contracts of Company enterprises will result in deferral of the production of 11,000 tU over the period of 3 years. The estimated cut of 4,000 tU in 2018 alone represents about 7.5% of global uranium production for 2018, as forecast by UxC.
The Company said it has informed all of its major customers of its decision, and confirmed that future contractual delivery obligations will not be affected.

Given the challenging market conditions and "in the light of continued oversupply in the uranium market, we have taken the strategic decision to reduce production in order to better align our production levels with market demand", Kazatomprom chairman Galymzhan Pirmatov said. "We believe that these measures strongly underline our commitment to ensuring long-term sustainability of uranium mining; a critical component in the generation of clean carbon-free electricity around the globe".

Kazakhstan has 12% of the world's uranium resources and has been the world's leading uranium producer since 2009. In 2016 production of 24,575 tU accounted or 40% of world production. The country had planned to increase its production year on year to 2018, but in January **Kazatomprom** announced that it would produce 10% less uranium in 2017 than previously planned in response to ongoing oversupply in the uranium market.
The country's 2017 uranium production is forecast to be 22,150 tU.

► Restructuring JV Inkai completed and will take effect on January 1, 2018 Cameco's ownership interest adjusted from 60% to 40%

On December 11, 2017, **Cameco** announced that the restructuring of Joint Venture Inkai, outlined in the implementation agreement dated May 27, 2016 with **Kazatomprom** and **JV Inkai** will take effect on January 1, 2018. The Inkai operation is an in situ recovery (ISR) uranium mine in south Kazakhstan.

The agreement is positive for **Cameco** as it secures the Company's access to a large low-cost production source through 2045. Production decisions will depend on market conditions and the terms of its Resource Use Contract.

Under the implementation agreement, **Cameco**'s ownership interest in JV Inkai will be adjusted to 40% from 60% and **Kazatomprom**'s ownership of JV Inkai will be adjusted to 60% from 40% on January 1, 2018. Also on January 1, 2018 a new governance framework for JV Inkai protecting the rights of **Cameco** as a minority owner will take effect.

The amendment to the Resource Use Contract provides as follows:

- JV Inkai has the right to increase production to 10.4 million pounds U3O8 per year (Cameco's share 4.2 million pounds), an increase from the current licenced production of 5.2 million pounds (Cameco's share 3.0 million pounds).
- JV Inkai has the right to produce from block's 1, 2 and 3 until 2045 (currently the lease terms are to 2024 for block 1 and to 2030 for blocks 2 and 3).
- The current boundaries of blocks 1, 2 and 3 have been adjusted to match the agreed production profile for JV Inkai to 2045.

The loan previously funded by a Cameco subsidiary of JV Inkai to fund exploration and evaluation of block 3 was restructured to provide for priority repayment. Such priority repayment commenced in 2017 and the balance of the loan was US$ 124 million at the end of the third quarter.

► Inkai Mineral Reserves and Mineral Resources of the Inkai operations as of January 1, 2018 are:

- Proven and Probable Reserves 378.76 million tonnes grading 0.032% U3O8, **containing 269.6 million pounds U3O8** (Cameco's share **107.9 million pounds U3O8**)
- Measured and Indicated Resources 51.81 million tonnes grading 0.025% U3O8, **containing 32.0 million pounds U3O8** (Cameco's share **12.8 million pounds U3O8**)
- Inferred Resources 116.39 million tonnes grading 0.029% U3O8, **containing 75.0 million pounds U3O8** (Cameco's share **30.0 million pounds U3O8**)

Compared to mineral reserves reported as of December 31, 2016, **Cameco**'s share of JV Inkai Mineral Reserves increases by approximately 62 million pounds U3O8. Measured and Indicated Mineral Resources decrease by nearly 68 million ponds U3O8 and Inferred Resources decrease by nearly 56 million ponds U3O8.

Cameco and **Kazatomprom** have also completed a feasibility study to evaluate the design construction and operation of a uranium refinery in Kazakhstan with the capacity to produce 6,000 tU annually as uranium trioxide (U3O). A formal joint decision has not been made as to whether the refinery will be built.

Top 10 countries of world's uranium production

	Production in tonnes U 2016	2016 in % world total	Production in tonnes U 2015	2014	2013	2010	2010 in % world total
Kazakhstan	24,575	40	23,800	23,127	22,451	17,803	33
Canada	14,039	23	13,325	9,134	9,331	9,783	18
Australia	6,315	10	5,672	5,001	6,350	5,900	11
Niger	3,477	6	4,116	4,057	4,518	4,198	8
Russia	3,004	5	3,055	2,990	3,135	3,562	7
Namibia	3,315	5	2,993	3,255	4,323	4,496	8
Uzbekistan (est)	2,404	4	2,385	2,400	2,400	2,400	4
China (est)	1,616	3	1,616	1,500	1,500	827	2
USA	1,125	2	1,256	1,919	1,792	1,660	3
Ukraine (est)	1,005	2	1,200	926	922	850	2
Top-10 total	**60,875**	**98**	**59,418**	**54,309**	**56,722**	**51,479**	**96**
Others	1,137	2	1,100	1,908	2,648	2,192	4
Total world production tU	**62,012**	**100**	**60,518**	**56,217**	**59,370**	**53,671**	**100**

source: WNA

WORLD NUCLEAR POWER REACTORS & URANIUM REQUIREMENTS of the world's major nuclear energy generating countries

Country	Reactors operable	% total electricity generation	Under construction	Planned *	Uranium required in tonnes 2017
USA	99	19.7	2	14	18,996
France	58	72.3	1	-	9,502
China	37	3.6	20	40	8,289
Russia	35	17.1	7	26	5,380
South Korea	24	30.3	3	2	4,730
India	22	3.4	6	19	843
Canada	19	15.6	-	2	1,592
Ukraine	15	52.3	-	2	1,944
United Kngdom	15	20.4	-	11	1,772
Germany	8	13.1	-	-	1,480
Japan x	5	2.2	-	-	662
Total	**337**		**39**	**116**	**55,190**
Total world	**447**	**c10.6**	**57**	**159**	**65,014**
Top 11 in % world total	**75**		**68**	**73**	**85**

* *Future reactors envisaged in specific plans and proposals and expected to be operating by 2030*

source : WNA

x *In **Japan**, currently 42 reactors are operable and potentially able to restart, of which 5 reactors have restarted to date. A further 21 reactors are in the process of restart approval. With the country's 50+ main reactors having provided some 30% of electricity before the Fukushima nuclear accident, this was expected to increase to at least 40% by 2017. The prospect now is for two-thirds (about 27%) of this from a depleted fleet.*

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