



## Management's discussion and analysis

for the quarter ended September 30, 2020

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This management's discussion and analysis (MD&A) includes information that will help you understand management's perspective of our unaudited condensed consolidated interim financial statements and notes for the quarter ended September 30, 2020 (interim financial statements). The information is based on what we knew as of November 3, 2020 and updates our first quarter, second quarter and annual MD&A included in our 2019 annual report.

As you review this MD&A, we encourage you to read our interim financial statements as well as our audited consolidated financial statements and notes for the year ended December 31, 2019 and annual MD&A. You can find more information about Cameco, including our audited consolidated financial statements and our most recent annual information form, on our website at [cameco.com](http://cameco.com), on SEDAR at [sedar.com](http://sedar.com) or on EDGAR at [sec.gov](http://sec.gov). You should also read our annual information form before making an investment decision about our securities.

The financial information in this MD&A and in our financial statements and notes are prepared according to International Financial Reporting Standards (IFRS), unless otherwise indicated.

Unless we have specified otherwise, all dollar amounts are in Canadian dollars.

Throughout this document, the terms we, us, our and Cameco mean Cameco Corporation and its subsidiaries unless otherwise indicated.

### Caution about forward-looking information

Our MD&A includes statements and information about our expectations for the future. When we discuss our strategy, plans, future financial and operating performance, or other things that have not yet taken place, we are making statements considered to be *forward-looking information* or *forward-looking statements* under Canadian and United States (US) securities laws. We refer to them in this MD&A as *forward-looking information*.

Key things to understand about the forward-looking information in this MD&A:

- It typically includes words and phrases about the future, such as: anticipate, believe, estimate, expect, plan, will, intend, goal, target, forecast, project, strategy and outlook (see examples below).
- It represents our current views and can change significantly.
- It is based on a number of *material assumptions*, including those we have listed starting on page 3, which may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, due to the risks associated with our business. We list a number of these *material risks* below. We recommend you also review our annual information form, first quarter, second quarter and annual MD&A, which includes a discussion of other *material risks* that could cause actual results to differ significantly from our current expectations.
- 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.

### Examples of forward-looking information in this MD&A

- the discussion under the heading *Our strategy*, including for uranium production, purchases, sales, contracting, and prices, our ability to self-manage risk and to address environmental, social, and governance risks and opportunities
- the discussion under the heading *Our response to Coronavirus (COVID-19)*, including the focus on employee health and safety in our plans, our plan to respond to potential future COVID-19 cases, Cigar Lake 2020 target production, expected business resiliency and ability to self-manage risk, including the financial capacity to manage disruptions caused by the COVID-19 pandemic, views on uranium supply, demand, deliveries and spot market purchases, meeting customers delivery needs, offsetting near-term costs we incur as a result of the current disruptions to our business, redemption of our \$400 million 3.75% debentures maturing in 2022, and tax risk
- our expectations about 2020 and future global uranium supply, consumption, demand, and the role of nuclear power, including the discussion under the heading *Third quarter market update*
- the discussion of our expectations relating to our Canada Revenue Agency (CRA) transfer pricing dispute, including application of the Federal Court of Appeal (Court of Appeal) decision to other tax years, that we remain confident in our position, expected recovery of \$785 million paid or secured to date and costs awards, and the amount of the disbursements award
- the discussion under the heading *Outlook for 2020*, including, expected business resiliency and ability to self-manage risk, including the financial capacity to manage additional costs, Cigar Lake 2020 target production, expectations for deliveries, spot market purchases, unit cost of sales, cash balances and credit facility drawings, tax risk and our price sensitivity analysis for our uranium segment
- the discussion under the heading *Liquidity and capital resources*, including sources to fund future capital requirements, expected liquidity to meet our 2020 obligations, our expectations for our uranium contract portfolio to provide a solid revenue stream and regarding our 2020 cash flow
- our expectation that our operating and investment activities for the remainder of 2020 will not be constrained by the financial-related covenants in our unsecured revolving credit facility
- life of mine operating cost estimate for Inkai
- our future plans and expectations for each of our uranium operating properties and fuel services operating sites (including 2020 expected fuel services production)
- our expectations related to care and maintenance costs

### Material risks

- actual sales volumes or market prices for any of our products or services are lower than we expect for any reason, including changes in market prices, loss of market share to a competitor, trade restrictions or the impact of the COVID-19 pandemic
- we are adversely affected by changes in currency exchange rates, interest rates, royalty rates, or tax rates
- we are unsuccessful in our dispute with CRA and this ultimately gives rise to material tax liabilities and cash payment obligations that would have a material adverse effect on us
- the possibility of a materially different outcome in disputes with CRA for other tax years
- the possibility that it will take longer to receive a decision if the Supreme Court of Canada agrees to hear an appeal
- there are defects in, or challenges to, title to our properties

- our production costs are higher than planned, or our cost reduction strategies are unsuccessful, or necessary supplies are not available, or not available on commercially reasonable terms
- our strategies may change, be unsuccessful or have unanticipated consequences
- our estimates and forecasts prove to be inaccurate, including production, purchases, deliveries, cash flow, costs, unit cost of sales, life of mine operating costs, decommissioning, reclamation expenses, or our tax expense
- we are unable to enforce our legal rights under our existing agreements, permits or licences
- we are subject to litigation or arbitration that has an adverse outcome, including lack of success in our dispute with CRA
- a major accident at a nuclear power plant
- we are impacted by changes in the regulation or public perception of the safety of nuclear power plants, which adversely affect the construction of new plants, the relicensing of existing plants and the demand for uranium
- government laws, regulations, policies, or decisions that adversely affect us, including tax and trade laws and sanctions on nuclear fuel imports
- our uranium suppliers or purchasers fail to fulfil their commitments
- our Cigar Lake mine production plans do not succeed for any reason
- the McClean Lake mill production plans do not succeed for any reason
- that our business may not be as resilient in recovering from disruptions caused by the COVID-19 pandemic as we expect
- we are affected by environmental, safety and regulatory risks, including workforce health and safety and increased regulatory burdens or delays resulting from the COVID-19 pandemic or other causes
- necessary permits or approvals from government authorities cannot be obtained or maintained
- that we may be required to draw upon our credit facility to manage the disruptions caused to our business by the COVID-19 pandemic
- we may be unable to successfully manage the current uncertain environment resulting from the COVID-19 pandemic and its related operational, safety, marketing or financial risks successfully, including the risk of significant disruptions to our operations, workforce, required supplies or services, and ability to produce, transport and deliver uranium
- we are affected by political risks
- we are affected by terrorism, sabotage, blockades, civil unrest, social or political activism, outbreak of illness (such as a pandemic like COVID-19), accident or a deterioration in political support for, or demand for, nuclear energy
- our expectations relating to care and maintenance costs and redemption of our \$400 million 3.75% debentures maturing in 2022 prove to be inaccurate
- we are affected by natural phenomena, including inclement weather, fire, flood and earthquakes
- our operations are disrupted due to problems with our own or our suppliers' or customers' facilities, the unavailability of reagents, equipment, operating parts and supplies critical to production, equipment failure, lack of tailings capacity, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave-ins, ground movements, tailings dam failures, transportation disruptions or accidents, unanticipated consequences of our cost reduction strategies, or other development and operating risks

#### Material assumptions

- our expectations regarding sales and purchase volumes and prices for uranium and fuel services, trade restrictions and that counterparties to our sales and purchase agreements will honour their commitments
- our expectations regarding the demand for and supply of uranium
- our expectations regarding spot prices and realized prices for uranium, and other factors discussed under the heading *Price sensitivity analysis: uranium segment*
- that the construction of new nuclear power plants and the relicensing of existing nuclear power plants will not be more adversely affected than expected by changes in regulation or in the public perception of the safety of nuclear power plants
- our ability to continue to supply and deliver our products and services in the expected quantities and at the expected times
- our expectations regarding costs (including life of mine operating costs for Inkai), tax rates and payments, royalty rates, currency exchange rates and interest rates
- our Cigar Lake production plans succeed
- the McClean Lake mill is able to mill Cigar Lake ore as planned
- the ability of our business to recover from the disruptions caused by the COVID-19 pandemic and to offset the costs of the current disruptions to our business in the future
- our ability to manage the disruptions to our business caused by the COVID-19 pandemic without drawing upon our credit facility
- our ability to successfully manage the current uncertain environment resulting from the COVID-19 pandemic and its related operational, marketing and financial risks successfully
- that care and maintenance costs will be as expected
- that the redemption of our \$400 million 3.75% debentures maturing in 2022 will be completed as expected
- our and our contractors' ability to comply with current and future environmental, safety and other regulatory requirements, and to obtain and maintain required regulatory approvals

- our expectations about the outcome of our dispute with CRA, including application of the Court of Appeal decision to other tax years
  - the time it would take to receive a decision if the Supreme Court of Canada, agrees to hear an appeal
  - our decommissioning and reclamation expenses, including the assumptions upon which they are based, are reliable
- our operations are not significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, civil unrest, breakdown, natural disasters, outbreak of illness (such as a pandemic like COVID-19), governmental or political actions, litigation or arbitration proceedings, the unavailability of reagents, equipment, operating parts and supplies critical to production, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave-ins, ground movements, tailings dam failure, lack of tailings capacity, transportation disruptions or accidents, unanticipated consequences of our cost reduction strategies or other development or operating risks

## Our strategy

We are a pure-play nuclear fuel supplier, focused on providing a clean source of energy, and taking advantage of the long-term growth we see coming in our industry. Our strategy is to focus on our tier-one assets and profitably produce at a pace aligned with market signals in order to preserve the value of those assets and increase long-term shareholder value, and to do that with an emphasis on safety, people and the environment.

We have been executing our strategy on three fronts – operational, marketing and financial. We have undertaken a number of deliberate and disciplined actions: we have cut production below our committed sales level, we are actively purchasing material on the spot market to meet our sales commitments, we are focused on protecting and extending the value of our contract portfolio, and we are efficiently managing the company in a low price environment. As a result, our balance sheet is strong, and we are well-positioned to self-manage risk.

We evaluate our strategy in the context of our market environment and continue to adjust our actions in accordance with the following marketing framework:

- First, we will not produce from our tier-one assets to sell into an oversupplied spot market. We will not produce from these assets unless we can commit our tier-one pounds under long-term contracts that provide an acceptable rate of return for our owners.
- Second, we do not intend to build up an inventory of excess uranium. Excess inventory serves to contribute to the sense that uranium is abundant and creates an overhang on the market, and it ties up working capital on our balance sheet.
- Third, in addition to our committed sales, we will capture demand in the market where we think we can obtain value. We will take advantage of opportunities the market provides, where it makes sense from an economic, logistical and strategic point of view. Those opportunities may come in the form of spot, mid-term or long-term demand, and will be additive to our current committed sales.
- Fourth, once we capture demand, we will decide how to best source material to satisfy that demand. Depending on the timing and volume of our production, purchase commitments, and our inventory volumes, this means we will be active buyers in the market in order to meet our demand obligations.
- And finally, in general, if we choose to source material to meet demand by purchasing it, we expect the price of that material will be more than offset by the leverage to market prices in our sales portfolio over a rolling 12-month period.

In addition to this framework, our contracting decisions always factor in who the customer is, our desire for regional diversification, the product form, and logistical factors.

Our uranium and fuel services products are used around the world in the generation of safe, carbon-free, affordable, base-load nuclear energy. As we seek to energize a clean-air world, we will do so in a manner that reflects our values. We are committed to identifying and addressing the environmental, social and governance (ESG) risks and opportunities that we believe may have a significant impact on our ability to add long-term value.

You can read more about our strategy in our 2019 annual MD&A.

## Our response to Coronavirus (COVID-19)

We continue to closely monitor the developments related to the outbreak of COVID-19. The situation continues to evolve, and our priority is to protect the health and well-being of our employees, their families, and their communities. We activated our Corporate Crisis Management Plan, which includes our Pandemic Plan, and our various Local and Corporate Business Continuity Plans. Our Pandemic Plan and Local and Corporate Business Continuity Plans continue to be in effect across our global operations.

Following the precautions and restrictions enacted by all levels of government where we operate, and considering the unique circumstances at each of our operating sites, we proactively implemented a number of measures and made a number of decisions to ensure a safe working environment for all our employees. We:

- asked employees at corporate office to work remotely from home
- asked that all meetings be conducted by phone or videoconference where possible
- suspended all business travel
- restricted non-essential contractors, visitors and deliveries at all locations
- put in place screening protocols for access to our facilities that align with the guidance of government and public health authorities

- implemented a number of additional protective measures in the workplace, including increased sanitization and physical distancing
- suspended work on the Vision in Motion (VIM) project in Port Hope
- suspended production, in March, in conjunction with Orano, at the Cigar Lake mine for over five months
- suspended production, in April, at the Port Hope UF<sub>6</sub> conversion facility and at the Blind River refinery for about four weeks
- set up and awarded COVID-19 Relief Funds totaling \$1.25 million to support our northern Saskatchewan and Ontario communities impacted by the virus

The proactive decisions we have made to protect our employees and to help slow down the spread of the COVID-19 virus are necessary decisions that are consistent with our values. The health and safety of our employees, their families and their communities continue to be the priority focus of all our plans, and they will align with the guidance of the relevant health authorities where we operate.

We continue to actively monitor the pandemic, and in May we restarted production at Port Hope's UF<sub>6</sub> conversion plant and at the Blind River refinery. In September, we safely restarted the Cigar Lake mine, and as planned, it took about two weeks to achieve initial production.

Recently, in accordance with our operating protocols, a number of employees and contractors were placed in isolation at the Cigar Lake mine due to potential infection with or exposure to the COVID-19 virus. All individuals were tested, and results came back negative. Provincial health authorities have cleared all individuals to return to work. Orano confirmed that it has had two positive cases of the COVID-19 virus at their McClean Lake mill. Both cases originated outside the work environment and both have been carefully managed to avoid onsite transmission and have not impacted the site's operation and production.

We will continue to respond to potential future COVID-19 cases in accordance with our plans and established protocols, which are consistent with the guidelines of the relevant public health authorities. We do not currently expect any impact on the Cigar Lake operation and continue to target our share of 2020 production to be up to 5.3 million pounds in total. The continued operation will be dependent on our ability to maintain safe and stable operating protocols along with a number of other factors, including how the COVID-19 pandemic is impacting the availability of the required workforce, northern Saskatchewan communities and the ability of the McClean Lake mill to continue to operate.

In addition, we continue to implement a gradual return to the workplace plan for those employees of our corporate and division head offices who are currently working from home.

The COVID-19 pandemic has disrupted global uranium production adding to the supply curtailments that have occurred in the industry for many years. The duration and extent of these disruptions are still not fully known. Initially, the uranium spot price increased by more than 35% following the announced supply disruptions due to the COVID-19 pandemic in March and April. The average spot price to the end of September is more than 15% higher than the average uranium spot price in 2019.

In this environment, we believe the risk to uranium supply is greater than the risk to uranium demand and expect it will create a renewed focus on ensuring availability of long-term supply to fuel nuclear reactors. Over time, we expect this renewed focus on security of supply will provide the market signals producers need and will help offset any near-term costs we may incur as a result of the current disruptions to our business.

Our utility customers' nuclear power plants continue to be part of the critical infrastructure needed to guarantee the availability of 24-hour electricity to run hospitals, care facilities, and other essential services. Our customers are going to need uranium. As a reliable, independent, commercial supplier, we will continue to work with our customers to help meet their delivery needs. So, despite the disruptions to our business because of the COVID-19 pandemic, we expect our business to be resilient. Our deliveries to-date have not been materially impacted and we do not currently expect there will be a material impact on our remaining 2020 deliveries. Therefore, given the production interruptions at the Cigar Lake and Inkai operations, we expect an increase in our required spot market purchasing in 2020, compared to the outlook provided at the beginning of the year, to meet our delivery commitments and to maintain our desired inventory levels. In addition, we may begin purchasing material for 2021 this year. However, the exact extent to which our spot market purchases will increase will not be known until we understand the COVID-19 pandemic-related impacts on production at both the Cigar Lake and Inkai operations. To the end of September, we had purchased 26.2 million pounds of uranium and delivered 22 million pounds under contract.

Thanks to the disciplined execution of our strategy on all three fronts – operational, marketing, and financial – we expect to have the financial capacity to manage the disruptions to our operations caused by the COVID-19 pandemic. As of September 30, 2020, we had \$793 million in cash and short-term investments and \$1.0 billion in long-term debt. On October 21, 2020, consistent with our conservative financial management, we issued debentures in the amount \$400 million, bearing interest of 2.95% per annum and maturing in 2027, and we announced the redemption of our outstanding \$400 million debenture bearing interest of 3.75% maturing in 2022, which is to be completed on or about November 20, 2020. In addition, we have a \$1.0 billion undrawn credit facility.

We expect our cash balances and operating cash flows to meet our capital requirements during 2020, therefore, we do not anticipate drawing on our credit facility.

Our balance sheet remains strong, and we believe we are well positioned to self-manage risk. And, despite CRA seeking leave to appeal to the Supreme Court of Canada (Supreme Court), we remain confident in our position and believe our risks have been significantly reduced with the Court of Appeal's unanimous decision in our favour in our tax case with CRA for the tax years 2003, 2005 and 2006. Furthermore, we believe that the principles in the decision apply to all tax years subsequent to 2006 and therefore, we expect to recover the \$303 million in cash paid and \$482 million in letters of credit secured with CRA in relation to this dispute.

For over 30 years, as part of our commitment to identifying and addressing the ESG risks and opportunities that could affect the long-term sustainability of our company, we have been working with our communities to improve the health and well-being of our employees and their families, and support local business development. In these uncertain times we will need to continue to work together to build on the strong foundation we have already established.

## Third quarter market update

Low uranium prices, government-driven trade policies, and the COVID-19 pandemic continued to have an impact on the security of supply in our industry. In addition to the decisions many producers, including the lowest-cost producers, have made to preserve long-term value by leaving uranium in the ground, there have been a number of unplanned supply disruptions related to the impact of the COVID-19 pandemic on uranium mining and processing activities. Adding to security of supply concerns is the role of commercial and state-owned entities in the uranium market, and trade policies that highlight the disconnect between where uranium is produced and where it is consumed. Nearly 80% of primary production is in the hands of state-owned enterprises, after taking into account the cuts to primary production that have occurred over the last several years. Furthermore, almost 90% of primary production comes from countries that consume little-to-no uranium, and 90% of uranium consumption occurs in countries that have little-to-no primary production. As a result, government-driven trade policies can be particularly disruptive for the uranium market. Some of the more significant supply and trade policy developments in the quarter and to-date are:

- In September, Cameco and Orano restarted operations at the Cigar Lake mine and the McClean Lake mill, with the first ore being sent to the mill mid-month. The 2020 production target remains at 10.6 million pounds (100% basis).
- Kazatomprom implemented a gradual restart of operations in August, following a four-month shutdown related to the COVID-19 pandemic. In addition, it reaffirmed its intention to maintain its aggregate production reduction of 20% compared to planned levels under subsoil use contracts in 2021, with no additional production planned to replace the volumes lost in 2020 resulting from measures taken to combat COVID-19. It also announced its plan to extend the 20% reduction through 2022. Kazatomprom said full implementation of its decision would remove up to 14.3 million pounds from 2022 expected global primary supply.
- In July, the US House Appropriations Committee decided to withhold \$150 million (US) in funding for a US Uranium Reserve. These funds had recently been recommended by the US Department of Energy (DOE) through the Nuclear Fuel Working Group report in April.
- An Executive Order was signed by the US President on September 30, 2020, aimed at expanding domestic production of rare earth minerals and reducing reliance on imports. Uranium is among the 35 critical minerals listed.

- On October 5, 2020, an amendment to the Russian Suspension Agreement (RSA) was signed that extends the agreement from January 1, 2021 through December 31, 2040 and provides a clear set of rules around access to the US nuclear energy sector by Russian nuclear fuel suppliers. Since 1992, the importation of Russian uranium products in the US has been subject to a quota under the US-Russia Agreement Suspending the Antidumping Investigation on Uranium from the Russian Federation (the Russian Suspension Agreement). The amendment reduces the average overall quota and introduces caps, which will reduce the amount of Russian uranium, conversion and enrichment supplied to the US over the long-term.
- In its October quarterly operational review, BHP indicated that the economics for its expansion plans at the Olympic Dam mine (ODM) were challenging, and that it has decided not to proceed with the expansion at this time. ODM currently produces between approximately 8 million and 9 million pounds per year, the expansion was projected to increase its annual uranium production up to as much as 14 million pounds.

The demand gap left by forced and premature nuclear reactor shutdowns since March of 2011 has been filled. According to the International Atomic Energy Agency there are currently 442 reactors operating globally and 54 reactors under construction. With a number of reactor construction projects recently approved, and many more planned, the demand for uranium is growing. This growth is largely occurring in Asia and the Middle East. Some of this growth is tempered by early reactor retirements, plans for reduced reliance on nuclear, or phase-out policies in other regions. In addition, the COVID-19 pandemic is expected to have a negative impact on global energy demand in the near term. For 2020, the International Energy Agency (IEA) expects global electricity demand to fall by 5% over 2019 with nuclear declining by 2.5% due to lower demand and delays for planned maintenance and construction of several projects. However, there is growing recognition of the role nuclear power must play in providing safe, reliable, affordable carbon-free baseload electricity and achieving a low-carbon economy. In addition, with the ongoing challenges posed by the COVID-19 pandemic, many governments continue to rely on nuclear plants as part of the critical infrastructure needed to guarantee the availability of 24-hour power to run hospitals, care facilities, clinics, and communities. Some of the more significant demand developments in the quarter and to-date are:

- The US Nuclear Energy Information Administration (EIA) projects a 3% decline in US nuclear generation for both 2020 and 2021, reflecting recent and planned retirements of nuclear generating capacity. Nuclear's share of total generation in the US is expected to remain around 20% in both years.
- Exelon announced plans to close its Byron and Dresden nuclear power plants in Illinois in 2021, pointing to economics challenged by declining energy prices and market rules allowing fossil fuel plants to underbid clean energy companies. The Byron plant is licensed to operate for another 20 years and the Dresden plant another 10 years.
- NextEra's Duane Arnold reactor in Iowa was permanently shutdown in August, a few months earlier than previously announced.
- Romania and the US are set to sign cooperation and financing agreements for an \$8 billion project, including construction of two nuclear reactors in Romania, along with refurbishment of Romania's first of two operating units.
- China's President Xi Jinping made a significant announcement in September at the 75<sup>th</sup> United Nations General Assembly, stating that China aims to become carbon neutral before 2060. A follow-on study predicts achieving this would require an estimated quadrupling of nuclear power capacity from 2025.
- Chinese power company, Huaneng, is set to become the fourth company to operate nuclear reactors in China, as it has begun licensing of Changjiang Units 3 and 4.
- United Arab of Emirate's Barakah unit 1 began supplying electricity to the grid in August, while unit 2 has entered the commissioning phase.
- In Russia, the country's nuclear regulator approved a VVER-1200 nuclear reactor to operate on an 18-month cycle for the first time, which is expected to be implemented across the entire fleet of that design.
- In the Czech Republic, the government and CEZ, the country's nuclear operator, signed draft agreements supporting a new reactor at the Dukovany nuclear power plant.
- In Belarus, the nuclear regulator issued a permit allowing for the loading of fuel into the country's first reactor at Ostrovets, which is expected to begin commercial production in early 2021.
- The Netherlands announced they will begin a process that considers building up to 10 nuclear power plants. This comes after a study commissioned by the Ministry of Economics found that nuclear power energy would be as cheap as wind or solar power.
- India's first domestically designed 700 MWe pressurized heavy water reactor was launched at Kakrapar, an important milestone for the country. Three more units of this design are expected to come online in the next few years.

- South Korea's Korea Hydro & Nuclear Power received local public approval to expand spent fuel storage capacity which will allow the utility to continue operating Wolsong 2, 3 and 4, which had been at risk of closure.
- On October 25, 2020, Japan's new Prime Minister, Yoshihide Suga, announced that the country aims to become carbon neutral by 2050. Regarding nuclear, he indicated that Japan will continue to develop its nuclear energy supply with "maximum priority on safety". Japan's current energy plan calls for 20-22% nuclear by 2030.

#### Caution about forward-looking information relating to the nuclear industry

This discussion of our expectations for the nuclear industry, including its growth profile, uranium supply and demand, and reactor growth is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading *Caution about forward-looking information* beginning on page 2.

### Industry prices at quarter end

	SEP 30 2020	JUN 30 2020	MAR 31 2020	DEC 31 2019	SEP 30 2019	JUN 30 2019
<b>Uranium</b> (\$US/lb U <sub>3</sub> O <sub>8</sub> ) <sup>1</sup>						
Average spot market price	<b>29.93</b>	32.80	27.35	24.93	25.68	24.60
Average long-term price	<b>35.00</b>	35.50	32.50	32.50	31.50	31.50
<b>Fuel services</b> (\$US/kgU as UF <sub>6</sub> ) <sup>1</sup>						
<i>Average spot market price</i>						
North America	<b>21.63</b>	22.13	22.25	22.13	20.25	18.25
Europe	<b>20.13</b>	22.00	22.00	22.00	20.00	18.00
<i>Average long-term price</i>						
North America	<b>18.00</b>	18.13	18.00	18.13	17.88	16.38
Europe	<b>18.00</b>	18.00	17.88	17.88	17.50	16.38

Note: the industry does not publish UO<sub>2</sub> prices.

<sup>1</sup> Average of prices reported by TradeTech and UxC LLC (UxC)

On the spot market, where purchases call for delivery within one year, the volume reported by UxC for the third quarter of 2020 was 19 million pounds, compared to 15 million pounds in the third quarter of 2019. Volume through the first nine months of 2020 was 77 million pounds, compared to about 43 million pounds over the same period in 2019. Volumes in the spot market were significant in second quarter of the year due to unplanned uranium supply disruptions resulting from the COVID-19 pandemic. Spot activity then slowed through the summer months. Total spot volume to date has achieved the second highest on record, trailing only 2018 which saw a total of 89 million pounds transacted for the entire year.

As of September 30, 2020, the average reported spot price was \$29.93 (US) per pound, down \$2.87 (US) per pound from the previous quarter.

Long-term contracts usually call for deliveries to begin more than two years after the contract is finalized, and use a number of pricing formulas, including fixed prices escalated over the term of the contract, and market referenced prices quoted near the time of delivery. The volume of long-term contracting reported by UxC for the first nine months of 2020 was about 39 million pounds, down from about 68 million pounds reported over the same period in 2019. Uncertainty related to the COVID-19 pandemic continues to impact utilities as they are focused on operational safety. However, the uncertainty, for US utilities, with respect to the extension of the RSA has been removed with its finalization in early October. The average reported long-term price at the end of the quarter was \$35.00 (US) per pound, down \$0.50 (US) per pound from the previous quarter.

Spot and UF<sub>6</sub> conversion prices decreased in the North American and European markets, while long-term UF<sub>6</sub> conversion prices remained relatively flat. For North American delivery, the average reported spot price at the end of the quarter was \$21.63 (US) per kilogram uranium as UF<sub>6</sub> (US/kgU as UF<sub>6</sub>), down \$0.50 (US) from the previous quarter. Long-term UF<sub>6</sub> conversion prices finished the quarter at \$18.00 (US/kgU as UF<sub>6</sub>), down \$0.13 (US) from the previous quarter.

### Shares and stock options outstanding

At October 30, 2020, we had:

- 395,846,205 common shares and one Class B share outstanding
- 6,579,515 stock options outstanding, with exercise prices ranging from \$11.32 to \$26.81

### Dividend

An annual dividend of \$0.08 per common share has been declared, payable on December 15, 2020, to shareholders of record on November 30, 2020. The decision to declare an annual dividend by our board is based on our cash flow, financial position, strategy and other relevant factors including appropriate alignment with the cyclical nature of our earnings.

## Financial results

This section of our MD&A discusses our performance, financial condition and outlook for the future.

### Consolidated financial results

CONSOLIDATED HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2020	2019	CHANGE	2020	2019	CHANGE
Revenue	379	303	25%	1,250	988	27%
Gross profit (loss)	(24)	(2)	>(100%)	(2)	57	>(100%)
Net losses attributable to equity holders	(61)	(13)	>(100%)	(133)	(54)	>(100%)
\$ per common share (basic)	(0.15)	(0.03)	>(100%)	(0.34)	(0.14)	>(100%)
\$ per common share (diluted)	(0.15)	(0.03)	>(100%)	(0.34)	(0.14)	>(100%)
Adjusted net losses (non-IFRS, see page 11)	(78)	(2)	>(100%)	(114)	(53)	>(100%)
\$ per common share (adjusted and diluted)	(0.20)	(0.01)	>(100%)	(0.29)	(0.13)	>(100%)
Cash provided by (used in) operations (after working capital changes)	(66)	232	>(100%)	(200)	253	>(100%)

## NET EARNINGS

The following table shows what contributed to the change in net earnings and adjusted net earnings (non-IFRS measure, see page 11) in the third quarter and the first nine months of 2020, compared to the same periods in 2019.

(\$ MILLIONS)		THREE MONTHS ENDED SEPTEMBER		NINE MONTHS ENDED SEPTEMBER	
		IFRS	ADJUSTED	IFRS	ADJUSTED
<b>Net losses – 2019</b>		<b>(13)</b>	<b>(2)</b>	<b>(54)</b>	<b>(53)</b>
Change in gross profit by segment					
(We calculate gross profit by deducting from revenue the cost of products and services sold, and depreciation and amortization (D&A))					
<b>Uranium</b>	Higher sales volume	-	-	5	5
	Higher realized prices (\$US)	25	25	16	16
	Foreign exchange impact on realized prices	1	1	22	22
	Higher costs	(57)	(57)	(123)	(123)
	<b>Change – uranium</b>	<b>(31)</b>	<b>(31)</b>	<b>(80)</b>	<b>(80)</b>
<b>Fuel services</b>	Higher sales volume	3	3	7	7
	Higher (lower) realized prices (\$Cdn)	(13)	(13)	9	9
	Lower costs	18	18	5	5
	<b>Change – fuel services</b>	<b>8</b>	<b>8</b>	<b>21</b>	<b>21</b>
<b>Other changes</b>					
	Higher administration expenditures	(6)	(6)	(10)	(10)
	Lower exploration expenditures	1	1	3	3
	Change in reclamation provisions	(4)	-	5	-
	Higher (lower) earnings from equity-accounted investee	1	1	(8)	(8)
	Change in gains or losses on derivatives	36	(4)	(24)	5
	Change in foreign exchange gains or losses	(19)	(19)	27	27
	Arbitration award in 2019 related to TEPCO contract	(53)	(53)	(53)	(53)
	Change in income tax recovery or expense	15	23	25	19
	Other	4	4	15	15
<b>Net losses – 2020</b>		<b>(61)</b>	<b>(78)</b>	<b>(133)</b>	<b>(114)</b>

See *Financial results by segment* beginning on page 20 for more detailed discussion.

## ADJUSTED NET EARNINGS (NON-IFRS MEASURE)

Adjusted net earnings is a measure that does not have a standardized meaning or a consistent basis of calculation under IFRS (non-IFRS measure). We use this measure as a meaningful way to compare our financial performance from period to period. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. Adjusted net earnings is our net earnings attributable to equity holders, adjusted to reflect the underlying financial performance for the reporting period. The adjusted earnings measure reflects the matching of the net benefits of our hedging program with the inflows of foreign currencies in the applicable reporting period, and has also been adjusted for reclamation provisions for our Rabbit Lake and US operations, which had been impaired, and income taxes on adjustments.

Adjusted net earnings is non-standard supplemental information and should not be considered in isolation or as a substitute for financial information prepared according to accounting standards. Other companies may calculate this measure differently, so you may not be able to make a direct comparison to similar measures presented by other companies.

The following table reconciles adjusted net earnings with net earnings for the third quarter and first nine months of 2020 and compares it to the same periods in 2019.

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
<b>Net losses attributable to equity holders</b>	<b>(61)</b>	(13)	<b>(133)</b>	(54)
<b>Adjustments</b>				
Adjustments on derivatives	(31)	9	(2)	(31)
Reclamation provision adjustments	7	3	24	29
Income taxes on adjustments	7	(1)	(3)	3
<b>Adjusted net losses</b>	<b>(78)</b>	(2)	<b>(114)</b>	(53)

Every quarter we are required to update the reclamation provisions for all operations based on new cash flow estimates, discount and inflation rates. This normally results in an adjustment to an asset retirement obligation asset in addition to the provision balance. When the assets of an operation have been written off due to an impairment, as is the case with our Rabbit Lake and US ISR operations, the adjustment is recorded directly to the statement of earnings as "other operating expense (income)". See note 7 of our interim financial statements for more information. This amount has been excluded from our adjusted net earnings measure.

## Quarterly trends

HIGHLIGHTS (\$ MILLIONS EXCEPT PER SHARE AMOUNTS)	2020				2019			2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	<b>379</b>	525	346	874	<b>303</b>	388	298	831
Net earnings (losses) attributable to equity holders	<b>(61)</b>	(53)	(19)	128	<b>(13)</b>	(23)	(18)	160
\$ per common share (basic)	<b>(0.15)</b>	(0.13)	(0.05)	0.32	<b>(0.03)</b>	(0.06)	(0.05)	0.40
\$ per common share (diluted)	<b>(0.15)</b>	(0.13)	(0.05)	0.32	<b>(0.03)</b>	(0.06)	(0.05)	0.40
Adjusted net earnings (losses) (non-IFRS, see page 11)	<b>(78)</b>	(65)	29	94	<b>(2)</b>	(18)	(33)	202
\$ per common share (adjusted and diluted)	<b>(0.20)</b>	(0.16)	0.07	0.24	<b>(0.01)</b>	(0.04)	(0.08)	0.51
Cash provided by (used in) operations (after working capital changes)	<b>(66)</b>	(316)	182	274	<b>232</b>	(59)	80	57

### Key things to note:

- our financial results are strongly influenced by the performance of our uranium segment, which accounted for 80% of consolidated revenues in the third quarter of 2020
- the timing of customer requirements, which tend to vary from quarter to quarter, drives revenue in the uranium and fuel services segments, meaning quarterly results are not necessarily a good indication of annual results due to seasonal variability
- net earnings do not trend directly with revenue due to unusual items and transactions that occur from time to time. We use adjusted net earnings, a non-IFRS measure, as a more meaningful way to compare our results from period to period (see page 11 for more information).
- cash from operations tends to fluctuate as a result of the timing of deliveries and product purchases in our uranium and fuel services segments

The following table compares the net earnings and adjusted net earnings for the third quarter to the previous seven quarters.

HIGHLIGHTS	2020			2019			2018	
(\$ MILLIONS EXCEPT PER SHARE AMOUNTS)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Net earnings (losses) attributable to equity holders</b>	<b>(61)</b>	(53)	(19)	128	<b>(13)</b>	(23)	(18)	160
<b>Adjustments</b>								
Adjustments on derivatives	<b>(31)</b>	(41)	70	(18)	<b>9</b>	(17)	(23)	47
Reclamation provision adjustments	<b>7</b>	23	(6)	(26)	<b>3</b>	24	2	10
Income taxes on adjustments	<b>7</b>	6	(16)	10	<b>(1)</b>	(2)	6	(15)
<b>Adjusted net earnings (losses) (non-IFRS, see page 11)</b>	<b>(78)</b>	(65)	29	94	<b>(2)</b>	(18)	(33)	202

## Corporate expenses

### ADMINISTRATION

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2020	2019	CHANGE	2020	2019	CHANGE
Direct administration	<b>26</b>	22	18%	<b>82</b>	80	3%
Severance costs	-	-	-	-	1	(100)%
Stock-based compensation	<b>4</b>	2	100%	<b>18</b>	9	100%
<b>Total administration</b>	<b>30</b>	24	25%	<b>100</b>	90	11%

Direct administration costs were \$4 million higher for the third quarter of 2020 compared to the same period last year, and \$2 million higher for the first nine months.

Stock-based compensation in the first nine months was higher due primarily to the increase in our share price during the period compared to 2019.

### Exploration

In the third quarter, uranium exploration expenses were \$2 million, a decrease of \$1 million compared to the third quarter of 2019. Exploration expenses for the first nine months of the year decreased by \$3 million compared to 2019, to \$8 million.

### INCOME TAXES

We recorded an income tax recovery of \$5 million in the third quarter of 2020, compared to an expense of \$10 million in the third quarter of 2019.

On an adjusted basis, we recorded an income tax recovery of \$12 million this quarter compared to an expense of \$11 million in the third quarter of 2019. In 2020, we recorded losses of \$46 million in Canada compared to earnings of \$56 million in 2019, while we recorded losses of \$44 million in foreign jurisdictions compared to losses of \$47 million last year.

In the first nine months of 2020, we recorded an income tax recovery of \$13 million compared to an expense of \$12 million in 2019.

On an adjusted basis, we recorded an income tax recovery of \$10 million for the first nine months compared to an expense of \$9 million in 2019. In 2020, we recorded losses of \$38 million in Canada compared to earnings of \$62 million in 2019, while we recorded losses of \$86 million in foreign jurisdictions compared to losses of \$106 million last year.

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
<b>Pre-tax adjusted earnings<sup>1</sup></b>				
Canada	(46)	56	(38)	62
Foreign	(44)	(47)	(86)	(106)
<b>Total pre-tax adjusted earnings</b>	<b>(90)</b>	<b>9</b>	<b>(124)</b>	<b>(44)</b>
Adjusted income taxes <sup>1</sup>				
Canada	(12)	14	(14)	15
Foreign	-	(3)	4	(6)
<b>Adjusted income tax expense (recovery)</b>	<b>(12)</b>	<b>11</b>	<b>(10)</b>	<b>9</b>

<sup>1</sup> Pre-tax adjusted earnings and adjusted income taxes are non-IFRS measures. Our IFRS-based measures have been adjusted by the amounts reflected in the table in adjusted net earnings (*non-IFRS measure* on page 11).

## TRANSFER PRICING DISPUTE

### Federal Court of Appeal decision

On June 26, 2020, the Court of Appeal decided unanimously in our favour in our dispute with CRA. The decision upholds the September 26, 2018 decision of the Tax Court of Canada (Tax Court), which was unequivocally in our favour for the 2003, 2005 and 2006 tax years and it sustains the corresponding decision on the cost award. We also believe the principles in the decision apply to all tax years subsequent to 2006.

The Court of Appeal decision is further confirmation that our marketing and trading structure involving foreign subsidiaries and the related transfer pricing methodology used for certain intercompany uranium purchase and sale agreements were in full compliance with Canadian laws for the three years in question.

The total tax reassessed for the three tax years was \$11 million, and we remitted 50%. Therefore, we expect to receive refunds totaling about \$5.5 million plus interest. The matter has been referred to the Minister of National Revenue in order to issue new reassessments for the 2003, 2005 and 2006 tax years in accordance with the decision.

In addition, on April 30, 2019, the Tax Court awarded us \$10.25 million for legal fees incurred, plus an amount for disbursement of up to \$17.9 million. The amount of the award for disbursements will be determined by an officer of the Tax Court. We are optimistic we will recover all, or substantially all, of the \$17.9 million in disbursements. In addition, we will be receiving a nominal cost award related to the Court of Appeal hearing.

Timing of any payments as a result of the Court of Appeal decision is uncertain.

### Appeals process

On October 30, 2020, we received notice that CRA made an application to the Supreme Court to seek leave to appeal the decision of the Court of Appeal. The Supreme Court will decide whether to hear the appeal or decline CRA's request for leave. If the appeal proceeds, we estimate that it could take until the second half of 2022 before a decision is rendered by the Supreme Court.

If leave to appeal is granted, we remain confident in our position. If leave to appeal is not granted, then the dispute over the three tax years in question is resolved in our favour.

### Reassessments and remittances

The Canadian income tax rules include provisions that generally require larger companies like us to remit or otherwise secure 50% of the cash tax plus related interest and penalties at the time of reassessment. Based on reassessments received to date, under these provisions, after applying elective deductions, we have paid or secured \$785 million (\$303 million in cash and \$482 million in letters of credit) in relation to this dispute.

In light of our belief that the principles in the Court of Appeal decision apply to all subsequent years (2007 through 2019), we expect to recover the \$785 million already paid or otherwise secured to date. In addition, we do not believe there is any basis for CRA to reassess us for tax years 2014 and beyond using the methodology it used to reassess the 2003 through 2013 tax years.

Until we know whether an appeal to the Supreme Court will be granted, and a resolution is reached for all tax years in question, CRA may continue to reassess subsequent tax years and seek payment or security for 50% of any cash taxes plus related interest and penalties. See our 2020 first quarter MD&A for additional background details about the payments we have made and the amounts CRA may continue to reassess and seek payment or security for.

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#### **Caution about forward-looking information relating to our CRA tax dispute**

This discussion of our expectations relating to our tax dispute with CRA and future tax reassessments by CRA is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading Caution about forward-looking information beginning on page 2 and also on the more specific assumptions and risks listed below. Actual outcomes may vary significantly.

##### *Assumptions*

- the time it would take to receive a decision if the Supreme Court agrees to hear an appeal
- the principles in the Court of Appeal decision should apply to all subsequent tax years
- our ability to obtain refunds of the amounts we have previously paid or secured and payment of cost awards

##### *Material risks that could cause actual results to differ materially*

- the possibility that it will take longer to receive a decision if the Supreme Court agrees to hear an appeal
- if heard by the Supreme Court, we may be unsuccessful in an appeal of the Court of Appeal's decision which could result in us owing the full amounts that were originally claimed against us by CRA for the 2003, 2005 and 2006 tax years and losing our entitlement to cost awards, and could ultimately result in an adverse determination against us for the other tax years for which we have been reassessed under the same methodology, giving rise to material tax liabilities and cash payment obligations that would have a material adverse effect on us
- the possibility of a materially different outcome in disputes for other tax years
- the risk we may for any reason be unable to obtain full refunds of amounts we have paid or secured, or payment of the full amount of cost awards

## **FOREIGN EXCHANGE**

The exchange rate between the Canadian dollar and US dollar affects the financial results of our uranium and fuel services segments.

We sell the majority of our uranium and fuel services products under long-term sales contracts, which are routinely denominated in US dollars. Our product purchases are denominated in US dollars, while our production costs are largely denominated in Canadian dollars. To provide cash flow predictability, we hedge a portion of our net US/Cdn exposure (e.g. total US dollar sales less US dollar expenditures and product purchases) to manage shorter term exchange rate volatility. Our results are therefore affected by the movements in the exchange rate on our hedge portfolio, and on the unhedged portion of our net exposure.

### **Impact of hedging on IFRS earnings**

We do not use hedge accounting under IFRS and, therefore, we are required to report gains and losses on economic hedging activity, both for contracts that close in the period and those that remain outstanding at the end of the period. For the contracts that remain outstanding, we must treat them as though they were settled at the end of the reporting period (mark-to-market).

However, we do not believe the gains and losses that we are required to report under IFRS appropriately reflect the intent of our hedging activities, so we make adjustments in calculating our ANE to better reflect the benefits of our hedging program in the applicable reporting period.

### **Impact of hedging on ANE**

We designate contracts for use in particular periods, based on our expected net exposure in that period. Hedge contracts are layered in over time based on this expected net exposure. The result is that our current hedge portfolio is made up of a number of contracts which are currently designated to net exposures we expect in 2020 and future years, and we will recognize the gains and losses in ANE in those periods.

For the purposes of ANE, gains and losses on derivatives are reported based on the difference between the effective hedge rate of the contracts designated for use in the particular period and the exchange rate at the time of settlement. This results in an adjustment to current period IFRS earnings to effectively remove reported gains and losses on derivatives that arise from contracts put in place for use in future periods. The effective hedge rate will lag the market in periods of rapid currency movement. See *Non-IFRS measures* on page 11.

For more information, see our 2019 annual MD&A.

At September 30, 2020:

- The value of the US dollar relative to the Canadian dollar was \$1.00 (US) for \$1.33 (Cdn), down from \$1.00 (US) for \$1.36 (Cdn) at June 30, 2020. The exchange rate averaged \$1.00 (US) for \$1.33 (Cdn) over the quarter.
- The mark-to-market position on all foreign exchange contracts was a \$2 million loss compared to a \$32 million loss at June 30, 2020.

For information on the impact of foreign exchange on our intercompany balances, see note 16 to the financial statements.

## Outlook for 2020

Given the ongoing uncertainty about the impact of the COVID-19 pandemic on production at the Cigar Lake mine, and on production at the Inkai operation, we do not have enough certainty to resume providing outlook information and do not plan to until we have a sufficient basis to do so.

We expect our business to be resilient. Our deliveries to-date have not been materially impacted by the disruptions to our business as a result of the COVID-19 pandemic and we do not currently expect there will be a material impact on our remaining 2020 deliveries. Therefore, given the production interruptions at the Cigar Lake and Inkai operations, we expect an increase in our required spot market purchasing in 2020, compared to the outlook provided at the beginning of the year, to meet our delivery commitments and to maintain our desired inventory levels. In addition, we may begin purchasing material for 2021 this year. Combined with the additional care and maintenance costs associated with the temporary closure of the Cigar Lake mine we expect the average unit cost of sales in our uranium segment to be higher than disclosed in our 2019 annual MD&A. However, the exact magnitude of the increase is uncertain and will be dependent on our ability to achieve the 5.3 million-pound (our share) production target at Cigar Lake and on the volume of purchases made.

The strategic and proactive decisions we have made to strengthen the company over the long term and to protect the health and safety of our employees, their families and communities during the COVID-19 pandemic come with near-term costs. However, we factored these costs into our decisions, and we continue to believe they are the right decisions for our company over the long-term.

Thanks to the disciplined execution of our strategy on all three fronts – operational, marketing and financial – we expect to have the financial capacity to manage these additional costs.

Our balance sheet remains strong, and we believe we are well positioned to self-manage risk. As of September 30, 2020, we had \$793 million in cash and short-term investments and a \$1.0 billion undrawn credit facility. We expect our cash balances and operating cash flows to meet our capital requirements during 2020, therefore, we do not anticipate drawing on our credit facility this year. And, despite CRA seeking leave to appeal, we believe our risks have been significantly reduced with the Court of Appeal's unanimous decision in our favour in our tax case with CRA for the tax years 2003, 2005 and 2006. Furthermore, we believe that the principles in the decision apply to all tax years subsequent to 2006 and therefore, we expect to recover the \$303 million in cash paid and \$482 million in letters of credit secured with CRA in relation to this dispute.

## PRICE SENSITIVITY ANALYSIS: URANIUM SEGMENT

The following table is not a forecast of prices we expect to receive. The prices we actually realize will be different from the prices shown in the table. It is designed to indicate how the portfolio of long-term contracts we had in place on September 30, 2020 would respond to different spot prices. In other words, we would realize these prices only if the contract portfolio remained the same as it was on September 30, 2020 and none of the assumptions we list below change.

We intend to update this table each quarter in our MD&A to reflect changes to our contract portfolio. As a result, we expect the table to change from quarter to quarter.

## Expected realized uranium price sensitivity under various spot price assumptions

(rounded to the nearest \$1.00)

SPOT PRICES (\$US/lb U <sub>3</sub> O <sub>8</sub> )	\$20	\$40	\$60	\$80	\$100	\$120	\$140
2020	33	34	36	37	38	39	40
2021	27	39	51	59	63	68	71
2022	26	39	52	60	64	67	70
2023	27	40	53	62	66	70	74
2024	28	40	53	60	63	65	66

The table illustrates the mix of long-term contracts in our September 30, 2020 portfolio, and is consistent with our marketing strategy. It has been updated to reflect contracts entered into up to September 30, 2020.

Our portfolio includes a mix of fixed-price and market-related contracts, which we target at a 40:60 ratio. Those that are fixed at higher prices or have high floor prices will yield prices that are higher than current market prices.

Our portfolio is affected by more than just the spot price. We made the following assumptions (which are not forecasts) to create the table:

### Sales

- sales volumes on average of 20 million pounds per year, with commitment levels in 2020 and 2021 higher than in 2022 through 2024.
- excludes sales between our segments

### Deliveries

- deliveries include best estimates of requirements contracts and contracts with volume flex provisions

### Annual inflation

- is 2% in the US

### Prices

- the average long-term price indicator is the same as the average spot price for the entire year (a simplified approach for this purpose only). Since 1996, the long-term price indicator has averaged 20% higher than the spot price. This differential has varied significantly. Assuming the long-term price is at a premium to spot, the prices in the table will be higher.

## Liquidity and capital resources

Our financial objective is to ensure we have the cash and debt capacity to fund our operating activities, investments and other financial obligations. We have a number of alternatives to fund future capital requirements, including using our operating cash flow, drawing on our existing credit facilities, entering new credit facilities, and raising additional capital through debt or equity financings. We are always considering our financing options so we can take advantage of favourable market conditions when they arise. However, as part of our strategy, our financial focus has been on strengthening our balance sheet and we do not expect that we will need to draw on our revolving credit facility in 2020. Due to the deliberate cost reduction measures implemented over the past five years, the reduction in our dividend, and the drawdown of inventory in 2018 as a result of the suspension of production at our McArthur River/Key Lake operation, we have significant cash balances and as such we expect that we have more than sufficient liquidity to meet our 2020 obligations.

As of September 30, 2020, we had cash and short-term investments of \$793 million, while our total debt amounted to \$1.0 billion.

In addition, we have large, creditworthy customers that continue to need uranium even during weak economic conditions, and we expect the uranium contract portfolio we have built to continue to provide a solid revenue stream. From 2020 through 2024, we have commitments to deliver an average of 20 million pounds per year, with commitment levels in 2020 and 2021 higher than in 2022 through 2024.

In the current uncertain environment, we continue to focus on preserving the value of our tier-one assets and reducing our operating, capital and general and administrative spending. We expect to maintain a significant cash balance, however, the amount of cash from operations will be largely dependent on the timing and magnitude of our purchasing activity and any costs associated with the suspension of our operations, therefore, cash balances may fluctuate throughout the year.

On June 26, 2020, the Court of Appeal unanimously upheld the Tax Court ruling in our favour in our case with CRA for the 2003, 2005 and 2006 tax years. In light of our belief that the principles in the Court of Appeal decision apply to all subsequent tax years (2007 through 2019), we expect to recover the amounts remitted, including the \$785 million already paid or otherwise secured to date. In addition, we do not believe there is any basis for CRA to reassess us for tax years 2014 and beyond using the methodology it used to reassess the 2003 to 2013 tax years. However, on October 30, 2020, we received notice that CRA has sought leave from the Supreme Court to appeal the Court of Appeal decision. The Supreme Court will decide whether to hear the appeal or decline CRA's request for leave. If the appeal proceeds, we estimate that it could take until the second half of 2022 before a decision is rendered. Until we know whether an appeal to the Supreme Court will be granted, and a resolution is reached for all tax years in question, CRA may continue to reassess subsequent tax years and seek payment or security for 50% of any cash taxes plus related interest and penalties. See our 2020 first quarter MD&A for additional details about the payments we have made and the amounts CRA may continue to reassess and seek payment or security for.

### **CASH FROM/USED IN OPERATIONS**

Cash provided by operations was \$298 million lower this quarter than in the third quarter of 2019 mainly due to increased purchasing activity.

Cash provided by operations was \$453 million lower in the first nine months of 2020 than for the same period in 2019 due largely to the increase in purchasing as a result of the Cigar Lake production suspension. See note 14 of our interim financial statements for more information.

### **FINANCING ACTIVITIES**

We use debt to provide additional liquidity. We have sufficient borrowing capacity with unsecured lines of credit totalling about \$2.7 billion at September 30, 2020, unchanged from June 30, 2020. At September 30, 2020, we had approximately \$1.6 billion outstanding in financial assurances, up from \$1.5 billion at June 30, 2020. At September 30, 2020, we had no short-term debt outstanding on our \$1.0 billion unsecured revolving credit facility, unchanged from December 31, 2019. This facility matures November 1, 2023.

#### **Long-term contractual obligations**

Since December 31, 2019, apart from the debt transactions noted below, there have been no material changes to our long-term contractual obligations. Please see our 2019 annual MD&A for more information.

#### **Debt**

On October 21, 2020, we issued \$400 million in Series H debentures bearing interest at 2.95% per year, maturing on October 21, 2027 and filed a redemption notice for the \$400 million November 2022 Series E debentures bearing interest at 3.75%. We expect to redeem the Series E debentures on November 20, 2020. Upon redemption of the Series E debenture, our total debt will remain at \$1.0 billion, however we will have extended our maturity profile. See note 19 of our interim financial statements for more information.

#### **Debt covenants**

We are bound by certain covenants in our unsecured revolving credit facility. The financially related covenants place restrictions on total debt, including guarantees. As at September 30, 2020, we met these financial covenants and do not expect our operating and investment activities for the remainder of 2020 to be constrained by them.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We had three kinds of off-balance sheet arrangements at September 30, 2020:

- purchase commitments
- financial assurances
- other arrangements

#### **Purchase commitments**

We make purchases under long-term contracts where it is beneficial for us to do so and in order to support our long-term contract portfolio. The following table is based on our purchase commitments in our uranium and fuel services segments, as well as commitments previously contracted by NUKEM, at September 30, 2020<sup>2</sup> but does not include purchases of our share

of Inkai production. These commitments include a mix of fixed-price and market-related contracts. Actual payments will be different as a result of changes to our purchase commitments and, in the case of contracts with market-related pricing, the market prices in effect at the time of delivery. We will update this table as required in our MD&A to reflect material changes to our purchase commitments and changes in the prices used to estimate our commitments under market-related contracts.

SEPTEMBER 30 (\$ MILLIONS)	2020	2021 AND 2022	2023 AND 2024	2025 AND BEYOND	TOTAL
Purchase commitments <sup>1,2</sup>	115	184	130	504	933

<sup>1</sup> Denominated in US dollars and Japanese yen, as of September 30, 2020 converted from US dollars to Canadian dollars at the rate of \$1.35 and from Japanese yen to Canadian dollars at the rate of \$0.01.

<sup>2</sup> These amounts have been adjusted for any additional purchase commitments that we have entered into since September 30, 2020, but does not include deliveries taken under contract since September 30, 2020.

Our purchase commitments of about \$933 million include the following:

- approximately 20 million pounds of U<sub>3</sub>O<sub>8</sub> equivalent from 2020 to 2028
- about 0.1 million Separative Work Units (SWU) of enrichment services to meet existing forward sales commitments under agreements with a non-Western supplier

The suppliers do not have the right to terminate agreements other than pursuant to customary events of default provisions.

### Financial assurances

At September 30, 2020, our financial assurances totaled \$1.6 billion, up from \$1.5 billion at June 30, 2020.

### Other arrangements

We have arranged for standby product loan facilities with various counterparties. The arrangements allow us to borrow up to 1.3 million kgU of UF<sub>6</sub> conversion services and 2.6 million pounds of U<sub>3</sub>O<sub>8</sub> over the period 2020 to 2023 with repayment in kind up to December 31, 2023. Under the loan facilities, standby fees of up to 1% are payable based on the market value of the facilities and interest is payable on the market value of any amounts drawn at rates ranging from 0.5% to 2.0%. During the year, we drew 0.5 million kgU of UF<sub>6</sub> conversion services and 1.2 million pounds of U<sub>3</sub>O<sub>8</sub> on the loans.

### BALANCE SHEET

(\$ MILLIONS)	SEP 30, 2020	DEC 31, 2019	CHANGE
Cash, cash equivalents and short-term investments	793	1,062	(25)%
Total debt	997	997	-
Inventory	710	321	121%

Total cash, cash equivalents and short-term investments at September 30, 2020 were \$793 million, or 25% lower than at December 31, 2019 primarily due to an increase in purchasing activity and additional care and maintenance costs incurred during the year. Net debt at September 30, 2020 was \$204 million.

Total product inventories are \$710 million compared to \$321 million at the end of 2019. Inventories increased as sales were lower than production and purchases in the first nine months of the year. The average cost for uranium has increased to \$38.88 per pound compared to \$33.41 per pound at December 31, 2019. As of September 30, 2020, we held an inventory of 14.8 million pounds of U<sub>3</sub>O<sub>8</sub> equivalent (excluding broken ore). Inventory varies from quarter to quarter depending on the timing of production, purchases and sales deliveries in the year.

## Financial results by segment

### Uranium

HIGHLIGHTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2020	2019	CHANGE	2020	2019	CHANGE
Production volume (million lbs)	0.2	1.4	(86)%	2.3	6.3	(63)%
Sales volume (million lbs)	6.7	6.1	10%	22.0	17.5	26%
Average spot price (\$US/lb)	31.08	25.45	22%	30.00	25.83	16%
Average long-term price (\$US/lb)	35.33	31.33	13%	34.50	31.61	9%
Average realized price (\$US/lb)	33.77	30.94	9%	32.80	32.05	2%
	(\$Cdn/lb)	40.91	10%	44.46	42.72	4%
Average unit cost of sales (including D&A) (\$Cdn/lb)	49.90	41.46	20%	47.33	41.75	13%
Revenue (\$ millions)	302	248	22%	976	748	30%
Gross profit (loss) (\$ millions)	(34)	(3)	>(100)%	(63)	17	>(100)%
Gross profit (loss) (%)	(11)	(1)	>(100)%	(6)	2	>(100)%

#### THIRD QUARTER

Production at Cigar Lake resumed in the third quarter with our share of production being 0.2 million pounds compared to 1.4 million pounds in the third quarter of 2019. See *Uranium 2020 Q3 updates* starting on page 23 for more information.

Uranium revenues this quarter were up 22% compared to 2019 due to an increase in sales volumes of 10% and an increase of 10% in the Canadian dollar average realized price. While the average spot price for uranium increased by 22% compared to the same period in 2019, our average realized price was only 10% higher primarily as a result of lower prices on fixed-price contracts and less sensitivity to price changes due to floor prices in the market-related contracts delivered into last year.

Total cost of sales (including D&A) increased by 34% (\$336 million compared to \$251 million in 2019) as a result of a 10% increase in sales volume as well as a unit cost of sales that was 20% higher than the same period last year. Unit cost of sales was higher than in the third quarter of 2019 due to the higher cost of purchased material and additional care and maintenance costs of \$18 million resulting from our proactive decision to suspend production at the Cigar Lake mine in response to the threat posed by the COVID-19 pandemic.

The net effect was a \$31 million decrease in gross profit for the quarter. While the increase in the uranium price compared to 2019 has had a positive effect on our average realized price, the increase has also impacted the cost of our spot market purchases.

Equity earnings from investee, JV Inkai, were \$3 million in the third quarter compared to \$2 million in same period last year.

#### FIRST NINE MONTHS

Production volumes for the first nine months of the year were 63% lower than in the previous year. See *Uranium 2020 Q3 updates* starting on page 23 for more information.

Uranium revenues increased 30% compared to the first nine months of 2019 due to a 26% increase in sales volumes and an increase of 4% in the Canadian dollar average realized price. While the average spot price for uranium increased by 16% compared to the same period in 2019, the average realized price for the first nine months was only 4% higher compared to the same period in 2019 primarily due to lower prices on fixed-price contracts, less sensitivity to price changes due to floor prices in the market-related contracts delivered into in 2019 and the lagging effect of changes in spot price on market-related contracts.

Total cost of sales (including D&A) increased by 42% (\$1.0 billion compared to \$731 million in 2019) as a result of a 26% increase in sales volume as well as a unit cost of sales that was 13% higher than the first nine months of last year. Unit cost of sales is higher than in the same period in 2019 due to the higher cost of purchased material and additional care and maintenance costs of \$46 million resulting from our proactive decision to suspend production at the Cigar Lake mine in response to the threat posed by the COVID-19 pandemic.

The net effect was a \$80 million decrease in gross profit for the first nine months.

Equity earnings from investee, JV Inkai, were \$18 million for the first nine months compared to \$26 million for the same period last year. The decrease in equity earnings from investee from 2019 was largely due to the timing of sales deliveries.

The table below shows the costs of produced and purchased uranium incurred in the reporting periods (which are non-IFRS measures, see the paragraphs below the table). These costs do not include care and maintenance costs, selling costs such as royalties, transportation and commissions, nor do they reflect the impact of opening inventories on our reported cost of sales.

(\$CDN/LB)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2020	2019	CHANGE	2020	2019	CHANGE
<b>Produced</b>						
Cash cost	49.89	20.38	145%	19.57	15.05	30%
Non-cash cost	23.77	20.99	13%	15.67	16.33	(4)%
Total production cost <sup>1</sup>	73.66	41.37	78%	35.24	31.38	12%
Quantity produced (million lbs) <sup>1</sup>	0.2	1.4	(86)%	2.3	6.3	(63)%
<b>Purchased</b>						
Cash cost <sup>1</sup>	41.20	31.92	29%	41.18	35.58	16%
Quantity purchased (million lbs) <sup>1</sup>	7.0	1.9	268%	26.2	14.6	79%
<b>Totals</b>						
Produced and purchased costs	42.10	35.93	17%	40.70	34.31	19%
Quantities produced and purchased (million lbs)	7.2	3.3	118%	28.5	20.9	36%

<sup>1</sup> Due to equity accounting, our share of production will be shown as a purchase at the time of delivery. JV Inkai purchases will fluctuate during the quarters and timing of purchases will not match production. In the third quarter we purchased 726,000 pounds at a purchase price per pound of \$39.70 (\$29.40 (US)) (1.3 million pounds in the first nine months of 2020 at \$35.61 (\$26.63 (US))).

For the first nine months, the average cash cost of production was 30% higher than in 2019 as a result of lower production. Due to the impacts of COVID-19 and the suspension of production at Cigar Lake, we expect our cost of production to be higher than in 2019. The cost of production will be dependent on the continued operation of Cigar Lake and our 2020 production level.

The benefit of the estimated life-of-mine operating cost for Inkai's production of between \$8 and \$9 per pound, is expected to be reflected in the line item on our statement of earnings called "share of earnings from equity-accounted investee".

Although purchased pounds are transacted in US dollars, we account for the purchases in Canadian dollars. In the third quarter, the average cash cost of purchased material was \$41.20 (Cdn) per pound, or \$30.67 (US) per pound in US dollar terms, compared to \$24.15 (US) per pound in the third quarter of 2019. For the first nine months, the average cash cost of purchased material was \$41.18 (Cdn), or \$29.99 (US) per pound, compared to \$26.67 (US) per pound in the same period in 2019. As a result, the average cash cost of purchased material in Canadian dollar terms increased by 29% this quarter and increased by 16% for the nine months compared to the same periods last year.

Cash cost per pound, non-cash cost per pound and total cost per pound for produced and purchased uranium presented in the above table are non-IFRS measures. These measures do not have a standardized meaning or a consistent basis of calculation under IFRS. We use these measures in our assessment of the performance of our uranium business. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance and ability to generate cash flow.

These measures are non-standard supplemental information and should not be considered in isolation or as a substitute for measures of performance prepared according to accounting standards. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently, so you may not be able to make a direct comparison to similar measures presented by other companies.

To facilitate a better understanding of these measures, the following table presents a reconciliation of these measures to our unit cost of sales for the third quarter and the first nine months of 2020 and 2019.

## Cash and total cost per pound reconciliation

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
<b>Cost of product sold</b>	<b>318.2</b>	192.6	<b>943.3</b>	598.9
<b>Add / (subtract)</b>				
Royalties	-	(8.7)	<b>(7.7)</b>	(18.2)
Care and maintenance costs	<b>(38.1)</b>	(24.3)	<b>(109.0)</b>	(79.8)
Other selling costs	<b>(4.4)</b>	(1.6)	<b>(10.7)</b>	(6.1)
Change in inventories	<b>22.7</b>	(68.8)	<b>308.0</b>	119.5
<b>Cash operating costs (a)</b>	<b>298.4</b>	89.2	<b>1,123.9</b>	614.3
<b>Add / (subtract)</b>				
Depreciation and amortization	<b>18.0</b>	58.1	<b>95.9</b>	131.6
Care and maintenance costs	<b>(16.9)</b>	(9.7)	<b>(46.1)</b>	(32.9)
Change in inventories	<b>3.6</b>	(19.0)	<b>(13.8)</b>	4.2
<b>Total operating costs (b)</b>	<b>303.1</b>	118.6	<b>1,159.9</b>	717.2
Uranium produced & purchased (million lbs) (c)	<b>7.2</b>	3.3	<b>28.5</b>	20.9
<b>Cash costs per pound (a ÷ c)</b>	<b>41.44</b>	27.03	<b>39.44</b>	29.39
<b>Total costs per pound (b ÷ c)</b>	<b>42.10</b>	35.93	<b>40.70</b>	34.31

## Fuel services

(includes results for UF<sub>6</sub>, UO<sub>2</sub>, UO<sub>3</sub> and fuel fabrication)

HIGHLIGHTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2020	2019	CHANGE	2020	2019	CHANGE
Production volume (million kgU)	<b>2.0</b>	1.7	18%	<b>8.4</b>	9.3	(10)%
Sales volume (million kgU)	<b>2.8</b>	1.8	56%	<b>9.2</b>	8.0	15%
Average realized price (\$Cdn/kgU)	<b>26.95</b>	31.56	(15)%	<b>28.66</b>	27.46	4%
Average unit cost of sales (including D&A) (\$Cdn/kgU)	<b>22.81</b>	29.29	(22)%	<b>21.55</b>	21.96	(2)%
Revenue (\$ millions)	<b>77</b>	56	38%	<b>263</b>	219	20%
Gross profit (\$ millions)	<b>12</b>	4	200%	<b>65</b>	44	48%
Gross profit (%)	<b>16</b>	7	129%	<b>25</b>	20	25%

### THIRD QUARTER

Total revenue for the third quarter of 2020 increased to \$77 million from \$56 million for the same period last year. This was primarily due to a 56% increase in sales volumes partially offset by a 15% decrease in average realized price compared to 2019. Average realized price decreased mainly due to the mix of product sold.

The total cost of products and services sold (including D&A) increased 25% (\$65 million compared to \$52 million in 2019) due to the 56% increase in sales volume partially offset by a 22% decrease in the average unit cost of sales. Average unit cost of sales decreased due to the mix of product sold.

The net effect was an \$8 million increase in gross profit.

### FIRST NINE MONTHS

In the first nine months of the year, total revenue increased by 20% due to a 15% increase in sales volumes and a 4% increase in realized price. The increase in realized price was mainly the result of increased prices on the sale of UF<sub>6</sub> due to market conditions.

The total cost of products and services sold (including D&A) increased 13% (\$197 million compared to \$175 million in 2019) due to the 15% increase in sales volume, slightly offset by a 2% decrease in the average unit cost of sales due to the mix of product sold partially offset by the \$9 million in care and maintenance costs incurred as a result of our proactive decision to suspend production for four weeks at the Blind River refinery and Port Hope UF<sub>6</sub> conversion plant in response to the threat posed by the COVID-19 pandemic.

The net effect was a \$21 million increase in gross profit.

## Our operations

### Uranium – production overview

Due to our decision to proactively suspend production at Cigar Lake in March to manage the threat posed by the COVID-19 pandemic to our workforce, the operation remained on care and maintenance throughout July and August this year, prior to its restart in September. Therefore, we had minimal production in the third quarter compared to 1.4 million pounds in 2019. See page 23.

Production for the first nine months of 2020 was 63% lower than the first nine months of 2019.

We continue to evaluate the optimal mix of production, inventory and purchases in order to retain the flexibility to deliver long-term value.

### URANIUM PRODUCTION

OUR SHARE (MILLION LBS)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30			2020 TARGET
	2020	2019	CHANGE	2020	2019	CHANGE	
Cigar Lake	0.2	1.4	(86)%	2.3	6.3	(63)%	5.3
<b>Total</b>	<b>0.2</b>	<b>1.4</b>	<b>(86)%</b>	<b>2.3</b>	<b>6.3</b>	<b>(63)%</b>	<b>5.3</b>

### Uranium 2020 Q3 updates

#### PRODUCTION UPDATE

##### McArthur River/Key Lake

There was no production in the third quarter as a result of the planned production suspension that began in February 2018 and continues for an indeterminate duration due to continued weakness in the uranium market. The operation remains in a safe state of care and maintenance. A restart decision is a commercial decision that will be based on our ability to commit the production from this operation under acceptable long-term contracts.

Our share of the cash and non-cash costs to maintain both operations during the suspension is expected to range between \$8 million and \$10 million per month.

##### Cigar Lake

In September we safely restarted the Cigar Lake mine, as announced in our second quarter MD&A, after a temporary suspension as a precaution due to the COVID-19 pandemic. As planned, it took about two weeks to achieve initial production once the mine was restarted. Our share of production in the third quarter was 0.2 million pounds compared to 1.4 million pounds in 2019. Production is 68% lower than in 2019 for the first nine months of 2020.

Recently, in accordance with our operating protocols, a number of employees and contractors were placed in isolation at site due to potential infection with or exposure to the COVID-19 virus. All individuals were tested, and results came back negative. Provincial health authorities have cleared all individuals to return to work. Orano confirmed that it has had two positive cases of the COVID-19 virus at their McClean Lake mill. Both cases originated outside the work environment and both have been carefully managed to avoid onsite transmission and have not impacted the site's operation and production.

We will continue to respond to potential future COVID-19 cases in accordance with our plans and established protocols, which are consistent with the guidelines of the relevant public health authorities. We do not currently expect any impact on the Cigar Lake operation and continue to target our share of 2020 production to be up to 5.3 million pounds in total. The continued

operation will be dependent on our ability to maintain safe and stable operating protocols along with a number of other factors, including how the COVID-19 pandemic is impacting the availability of the required workforce, northern Saskatchewan communities and the ability of the McClean Lake mill to continue to operate.

We also have experienced delays and deferrals in project work, including lower capital expenditures, which introduces potential risk to the production rate in 2021 and 2022.

Our share of the cash and non-cash costs while Cigar Lake was on care and maintenance totaled about \$46 million (\$18 million in the third quarter), including our contribution to the care and maintenance costs at McClean Lake.

### **Inkai**

Production on a 100% basis was 1.6 million pounds for the quarter and 5.1 million pounds for the first nine months of the year, compared to 2.3 million pounds and 6 million pounds in the same periods last year. The decrease in production for both periods is due to the impact of the reduction in operational activities introduced to manage the risks posed by the COVID-19 pandemic.

On April 7, 2020, Kazatomprom announced a reduction to operational activities across all uranium mines in Kazakhstan for an expected period of three months due to the risks posed by the COVID-19 pandemic. It indicated that its decision would result in a lower level of wellfield development activity and, as a result, an estimated reduction of up to 17.5% in total planned uranium production in Kazakhstan for 2020. On July 6, 2020, Kazatomprom announced a one-month extension of the period of reduced operational activities with the impact on its revised production plan for 2020 expected to be immaterial. In August 2020, the previously reduced operational activities, including wellfield development resumed at JV Inkai. Based on an adjustment to the 2016 JV Inkai restructuring agreement, we are entitled to purchase 59.4% of the operation's planned production in 2020 and 2021.

Given the ongoing uncertainty caused by the COVID-19 pandemic in Kazakhstan, we will not be providing outlook for our expected purchases of Inkai's planned production.

Due to equity accounting, our share of production is shown as a purchase at a discount to the spot price and included in inventory at this value at the time of delivery. Our share of the profits earned by JV Inkai on the sale of its production is included in "share of earnings from equity-accounted investee" on our consolidated statement of earnings.

## **TIER-TWO CURTAILED OPERATIONS**

### **US ISR Operations**

As a result of our 2016 curtailment decision, commercial production has ceased. As long as production is suspended, we expect ongoing cash and non-cash care and maintenance costs to range between \$17 million (US) and \$19 million (US) for 2020.

### **Rabbit Lake**

Rabbit Lake continues in a safe state of care and maintenance. As a result, there was no production in the third quarter of 2020. While in standby, we continue to evaluate our options at Rabbit Lake in order to minimize care and maintenance costs. We expect ongoing care and maintenance costs to range between \$30 million and \$35 million annually.

## **Fuel services 2020 Q3 updates**

### **PORT HOPE CONVERSION SERVICES**

#### **CAMECO FUEL MANUFACTURING INC. (CFM)**

#### **Production update**

Fuel services produced 2.0 million kgU in the third quarter, 18% higher than the same period last year as a result of an adjustment to the production schedule and changes to the timing of the planned maintenance outages in response to the COVID-19 pandemic. For the first nine months, production was 10% lower than for the same period last year, due to the impact of the temporary suspension of production in April resulting from the precautionary measures taken for the COVID-19 pandemic.

We expect to produce between 11 million and 12 million kgU in 2020.

## Qualified persons

The technical and scientific information discussed in this document for our material properties (McArthur River/Key Lake, Inkai and Cigar Lake) was approved by the following individuals who are qualified persons for the purposes of NI 43-101:

### MCARTHUR RIVER/KEY LAKE

- Greg Murdock, general manager, McArthur River/Key Lake, Cameco

### Inkai

- Scott Bishop, director, technical services, Cameco

### Cigar Lake

- Lloyd Rowson, general manager, Cigar Lake, Cameco

## Additional information

### Critical accounting estimates

Due to the nature of our business, we are required to make estimates that affect the amount of assets and liabilities, revenues and expenses, commitments and contingencies we report. We base our estimates on our experience, our best judgment, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and on assumptions we believe are reasonable.

### Controls and procedures

As of September 30, 2020, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer (CEO) and chief financial officer (CFO), of the effectiveness of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation and as of September 30, 2020, the CEO and CFO concluded that:

- the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under applicable securities laws is recorded, processed, summarized and reported as and when required
- such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



**Cameco Corporation**  
**2020 condensed consolidated interim financial statements**  
**(unaudited)**

November 3, 2020

## Cameco Corporation

### Consolidated statements of earnings

(Unaudited) (\$Cdn thousands, except per share amounts)	Note	Three months ended		Nine months ended	
		Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Revenue from products and services	9	\$ 378,870	\$ 303,180	\$ 1,249,717	\$ 988,482
Cost of products and services sold		372,862	235,799	1,118,724	761,463
Depreciation and amortization		29,654	69,417	133,276	169,752
<b>Cost of sales</b>	17	402,516	305,216	1,252,000	931,215
<b>Gross profit (loss)</b>		(23,646)	(2,036)	(2,283)	57,267
Administration		30,414	24,403	100,073	90,442
Exploration		1,914	3,478	8,312	11,345
Research and development		493	1,524	1,668	4,246
Other operating expense	7	6,861	3,690	23,762	29,253
Loss on disposal of assets		558	272	509	72
<b>Loss from operations</b>		(63,886)	(35,403)	(136,607)	(78,091)
Finance costs	10	(16,866)	(25,542)	(52,778)	(81,730)
Gain (loss) on derivatives	16	20,730	(15,448)	(4,880)	19,083
Finance income		1,327	10,375	9,479	25,486
Share of earnings from equity-accounted investee	5	3,196	1,909	17,815	26,441
Other income (expense)	11	(10,750)	60,922	20,878	46,873
<b>Loss before income taxes</b>		(66,249)	(3,187)	(146,093)	(41,938)
Income tax expense (recovery)	12	(5,477)	10,295	(13,077)	12,459
<b>Net loss</b>		(60,772)	(13,482)	(133,016)	(54,397)
<b>Net loss attributable to:</b>					
Equity holders		\$ (60,770)	\$ (13,467)	\$ (132,996)	\$ (54,355)
Non-controlling interest		(2)	(15)	(20)	(42)
<b>Net loss</b>		<b>\$ (60,772)</b>	<b>\$ (13,482)</b>	<b>\$ (133,016)</b>	<b>\$ (54,397)</b>
<b>Loss per common share attributable to equity holders:</b>					
Basic	13	\$ (0.15)	\$ (0.03)	\$ (0.34)	\$ (0.14)
Diluted	13	\$ (0.15)	\$ (0.03)	\$ (0.34)	\$ (0.14)

See accompanying notes to condensed consolidated interim financial statements.

## Cameco Corporation

### Consolidated statements of comprehensive earnings

(Unaudited) (\$Cdn thousands)	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
<b>Net loss</b>	\$ (60,772)	\$ (13,482)	\$ (133,016)	\$ (54,397)
Other comprehensive income (loss), net of taxes	12			
Items that will not be reclassified to net earnings:				
Equity investments at FVOCI - net change in fair value <sup>1</sup>	3,952	(2,458)	2,537	(1,524)
Equity investment at FVOCI - net change in fair value - equity-accounted investee	-	-	-	(309)
Items that are or may be reclassified to net earnings:				
Exchange differences on translation of foreign operations	11,803	(17,553)	6,734	(38,160)
Other comprehensive income (loss), net of taxes	<b>15,755</b>	<b>(20,011)</b>	<b>9,271</b>	<b>(39,993)</b>
<b>Total comprehensive loss</b>	<b>\$ (45,017)</b>	<b>\$ (33,493)</b>	<b>(123,745)</b>	<b>(94,390)</b>
<b>Other comprehensive income (loss) attributable to:</b>				
Equity holders	\$ 15,750	\$ (20,014)	\$ 9,266	\$ (39,985)
Non-controlling interest	5	3	5	(8)
<b>Other comprehensive income (loss)</b>	<b>\$ 15,755</b>	<b>\$ (20,011)</b>	<b>\$ 9,271</b>	<b>\$ (39,993)</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Equity holders	\$ (45,020)	\$ (33,481)	\$ (123,730)	\$ (94,340)
Non-controlling interest	3	(12)	(15)	(50)
<b>Total comprehensive loss</b>	<b>\$ (45,017)</b>	<b>\$ (33,493)</b>	<b>(123,745)</b>	<b>(94,390)</b>

<sup>1</sup> Net of tax (Q3 2020 - \$(638); Q3 2019 - \$369; 2020 - \$(441); 2019 - \$168)

See accompanying notes to condensed consolidated interim financial statements.

## Cameco Corporation

### Consolidated statements of financial position

(Unaudited) (\$Cdn thousands)	Note	As at	
		Sep 30/20	Dec 31/19
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 772,756	\$ 1,062,431
Short-term investments		19,988	-
Accounts receivable		297,968	328,044
Current tax assets		2,880	3,667
Inventories	3	709,698	320,770
Supplies and prepaid expenses		97,190	85,502
Current portion of long-term receivables, investments and other	4	9,271	6,564
<b>Total current assets</b>		<b>1,909,751</b>	<b>1,806,978</b>
Property, plant and equipment		3,790,869	3,720,672
Intangible assets		56,631	60,410
Long-term receivables, investments and other	4	627,496	630,131
Investment in equity-accounted investee	5	213,666	252,681
Deferred tax assets		968,338	956,376
<b>Total non-current assets</b>		<b>5,657,000</b>	<b>5,620,270</b>
<b>Total assets</b>		<b>\$ 7,566,751</b>	<b>\$ 7,427,248</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		237,619	181,799
Current tax liabilities		1,044	6,290
Current portion of other liabilities	6	91,571	33,073
Current portion of provisions	7	69,202	56,248
<b>Total current liabilities</b>		<b>399,436</b>	<b>277,410</b>
Long-term debt		997,222	996,718
Other liabilities	6	161,960	153,927
Provisions	7	1,133,600	1,004,230
<b>Total non-current liabilities</b>		<b>2,292,782</b>	<b>2,154,875</b>
Shareholders' equity			
Share capital	8	1,863,463	1,862,749
Contributed surplus		237,252	234,681
Retained earnings		2,692,630	2,825,596
Other components of equity		80,965	71,699
<b>Total shareholders' equity attributable to equity holders</b>		<b>4,874,310</b>	<b>4,994,725</b>
Non-controlling interest		223	238
<b>Total shareholders' equity</b>		<b>4,874,533</b>	<b>4,994,963</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 7,566,751</b>	<b>\$ 7,427,248</b>

Commitments and contingencies [notes 7, 12]

See accompanying notes to condensed consolidated interim financial statements.

## Cameco Corporation

### Consolidated statements of changes in equity

(Unaudited) (\$Cdn thousands)	Attributable to equity holders						Total	Non- controlling interest	Total equity
	Share capital	Contributed surplus	Retained earnings	Foreign currency translation	Equity investments at FVOCI				
Balance at January 1, 2020	\$ 1,862,749	\$ 234,681	\$ 2,825,596	\$ 77,114	\$ (5,415)	\$ 4,994,725	\$ 238	\$ 4,994,963	
Net loss	-	-	(132,996)	-	-	(132,996)	(20)	(133,016)	
Other comprehensive income	-	-	-	6,729	2,537	9,266	5	9,271	
<b>Total comprehensive income (loss) for the period</b>	-	-	(132,996)	6,729	2,537	(123,730)	(15)	(123,745)	
Share-based compensation	-	5,037	-	-	-	5,037	-	5,037	
Stock options exercised	714	(165)	-	-	-	549	-	549	
Restricted share units released	-	(2,301)	-	-	-	(2,301)	-	(2,301)	
Dividends	-	-	30	-	-	30	-	30	
<b>Balance at September 30, 2020</b>	<b>\$ 1,863,463</b>	<b>\$ 237,252</b>	<b>\$ 2,692,630</b>	<b>\$ 83,843</b>	<b>\$ (2,878)</b>	<b>\$ 4,874,310</b>	<b>\$ 223</b>	<b>\$ 4,874,533</b>	
Balance at January 1, 2019	\$ 1,862,652	\$ 234,982	\$ 2,791,321	\$ 104,989	\$ (662)	\$ 4,993,282	\$ 310	\$ 4,993,592	
Net loss	-	-	(54,355)	-	-	(54,355)	(42)	(54,397)	
Other comprehensive loss	-	-	-	(38,152)	(1,833)	(39,985)	(8)	(39,993)	
<b>Total comprehensive loss for the period</b>	-	-	(54,355)	(38,152)	(1,833)	(94,340)	(50)	(94,390)	
Share-based compensation	-	11,216	-	-	-	11,216	-	11,216	
Stock options exercised	97	(16)	-	-	-	81	-	81	
Restricted and performance share units released	-	(6,258)	-	-	-	(6,258)	-	(6,258)	
Dividends	-	-	51	-	-	51	-	51	
<b>Balance at September 30, 2019</b>	<b>\$ 1,862,749</b>	<b>\$ 239,924</b>	<b>\$ 2,737,017</b>	<b>\$ 66,837</b>	<b>\$ (2,495)</b>	<b>\$ 4,904,032</b>	<b>\$ 260</b>	<b>\$ 4,904,292</b>	

See accompanying notes to condensed consolidated interim financial statements.

# Cameco Corporation

## Consolidated statements of cash flows

(Unaudited) (\$Cdn thousands)	Note	Three months ended		Nine months ended	
		Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
<b>Operating activities</b>					
Net loss		\$ (60,772)	\$ (13,482)	\$ (133,016)	\$ (54,397)
Adjustments for:					
Depreciation and amortization		29,655	69,417	133,276	169,752
Deferred charges		(1,155)	(3,045)	(2,112)	3,370
Unrealized loss (gain) on derivatives		(30,642)	9,353	(7,372)	(32,478)
Share-based compensation	15	1,441	3,002	5,037	11,216
Loss on disposal of assets		558	272	509	72
Finance costs	10	16,866	25,542	52,778	81,730
Finance income		(1,327)	(10,374)	(9,479)	(25,486)
Share of earnings in equity-accounted investee		(3,197)	(1,909)	(17,815)	(26,441)
Other operating expense	7	6,862	3,690	23,762	29,253
Other expense (income)	11	10,749	(8,120)	(20,675)	5,928
Income tax expense (recovery)	12	(5,477)	10,295	(13,077)	12,459
Interest received		1,128	12,660	8,858	26,771
Income taxes received (paid)		1,966	(1,317)	(3,699)	(20,556)
Dividends from equity-accounted investee		14,124	-	43,961	-
Other operating items	14	(46,908)	135,963	(261,306)	71,628
<b>Net cash provided by (used in) operations</b>		<b>(66,129)</b>	<b>231,947</b>	<b>(200,370)</b>	<b>252,821</b>
<b>Investing activities</b>					
Additions to property, plant and equipment		(16,384)	(23,315)	(49,461)	(55,364)
Decrease (increase) in short-term investments		(5,002)	406,910	(19,988)	346,230
Decrease in long-term receivables, investments and other		157	55,028	907	120,871
Proceeds from sale of property, plant and equipment		19	44	94	391
<b>Net cash provided by (used in) investing</b>		<b>(21,210)</b>	<b>438,667</b>	<b>(68,448)</b>	<b>412,128</b>
<b>Financing activities</b>					
Decrease in debt		-	(500,000)	-	(500,000)
Interest paid		(199)	(14,245)	(20,861)	(50,275)
Lease principal payments		(731)	(523)	(2,026)	(1,958)
Proceeds from issuance of shares, stock option plan		254	-	549	16
Dividends returned		-	-	30	51
<b>Net cash used in financing</b>		<b>(676)</b>	<b>(514,768)</b>	<b>(22,308)</b>	<b>(552,166)</b>
Increase (decrease) in cash and cash equivalents, during the period		(88,015)	155,846	(291,126)	112,783
Exchange rate changes on foreign currency cash balances		(1,827)	1,213	1,451	(4,681)
Cash and cash equivalents, beginning of period		862,598	662,571	1,062,431	711,528
<b>Cash and cash equivalents, end of period</b>		<b>\$ 772,756</b>	<b>\$ 819,630</b>	<b>\$ 772,756</b>	<b>\$ 819,630</b>
<b>Cash and cash equivalents is comprised of:</b>					
Cash				457,772	321,311
Cash equivalents				314,984	498,319
Cash and cash equivalents				<b>\$ 772,756</b>	<b>\$ 819,630</b>

See accompanying notes to condensed consolidated interim financial statements.

# Cameco Corporation

## Notes to condensed consolidated interim financial statements

(Unaudited)

(Cdn\$ thousands, except per share amounts and as noted)

### 1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. The address of its registered office is 2121 11th Street West, Saskatoon, Saskatchewan, S7M 1J3. The condensed consolidated interim financial statements as at and for the period ended September 30, 2020 comprise Cameco Corporation and its subsidiaries (collectively, the Company or Cameco) and the Company's interests in associates and joint arrangements.

Cameco is one of the world's largest providers of the uranium needed to generate clean, reliable baseload electricity around the globe. The Company currently has one mine operating in northern Saskatchewan, Cigar Lake, as well as a 40% interest in Joint Venture Inkai LLP (JV Inkai), a joint arrangement with Joint Stock Company National Atomic Company Kazatomprom (Kazatomprom), located in Kazakhstan. JV Inkai is accounted for on an equity basis (see note 5).

The Company also has two operations in Northern Saskatchewan which are in care and maintenance. Rabbit Lake was placed in care and maintenance in the second quarter of 2016 while operations at McArthur River/Key Lake were suspended indefinitely in the third quarter of 2018. Cameco's operations in the United States, Crow Butte and Smith Ranch-Highland, are also not currently producing as the decision was made in 2016 to curtail production and defer all wellfield development. Cameco's Cigar Lake uranium mine in northern Saskatchewan was in a temporary state of care and maintenance because of the global COVID-19 pandemic. This temporary production suspension was announced in March and production resumed in September. See note 17 for the financial statement impact.

The Company is also a leading provider of nuclear fuel processing services, supplying much of the world's reactor fleet with the fuel to generate one of the cleanest sources of electricity available today. It operates the world's largest commercial refinery in Blind River, Ontario, controls about 25% of the world UF<sub>6</sub> primary conversion capacity in Port Hope, Ontario and is a leading manufacturer of fuel assemblies and reactor components for CANDU reactors at facilities in Port Hope and Cobourg, Ontario. Also a result of the COVID-19 pandemic, temporary operational changes at the fuel services division facilities in Ontario were in place for a portion of the second quarter of 2020 (see note 17 for financial statement impact).

### 2. Significant accounting policies

#### A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Cameco's annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed consolidated interim financial statements were authorized for issuance by the Company's board of directors on November 3, 2020.

#### B. Basis of presentation

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise noted. Amounts presented in tabular format have been rounded to the nearest thousand except per share amounts and where otherwise noted.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items which are measured on an alternative basis at each reporting date:

Derivative financial instruments	Fair value through profit or loss (FVTPL)
Equity securities	Fair value through other comprehensive income (FVOCI)
Liabilities for cash-settled share-based payment arrangements	Fair value through profit or loss (FVTPL)
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation

The preparation of the condensed consolidated interim financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2019.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 of the December 31, 2019 consolidated financial statements.

### 3. Inventories

	Sep 30/20	Dec 31/19
<b>Uranium</b>		
Concentrate	\$ 589,246	\$ 204,123
Broken ore	47,489	51,094
	<b>636,735</b>	255,217
<b>Fuel services</b>	<b>70,039</b>	62,701
<b>Other</b>	<b>2,924</b>	2,852
<b>Total</b>	<b>\$ 709,698</b>	\$ 320,770

Cameco expensed \$334,361,000 of inventory as cost of sales during the third quarter of 2020 (2019 - \$255,800,000). For the nine months ended September 30, 2020, Cameco expensed \$1,048,730,000 of inventory as cost of sales (2019 - \$775,900,000).

#### 4. Long-term receivables, investments and other

	Sep 30/20	Dec 31/19
Investments in equity securities [note 16] <sup>(a)</sup>	\$ 27,402	\$ 24,408
Derivatives [note 16]	27,389	10,504
Investment tax credits	95,642	95,474
Amounts receivable related to tax dispute <sup>(b)</sup>	303,222	303,222
Product loan <sup>(c)</sup>	176,904	176,904
Other	6,208	26,183
	<b>636,767</b>	636,695
Less current portion	<b>(9,271)</b>	(6,564)
<b>Net</b>	<b>\$ 627,496</b>	\$ 630,131

(a) Cameco has designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Company intends to hold for the long term for strategic purposes. There were no dividends recognized on any of these investments during the year.

	Sep 30/20	Dec 31/19
Investment in Denison Mines Corp.	\$ 13,784	\$ 13,292
Investment in UEX Corporation	8,003	7,253
Investment in Iso Energy Ltd.	3,591	1,481
Investment in GoviEx	1,625	2,000
Other	399	382
	<b>\$ 27,402</b>	\$ 24,408

(b) Cameco was required to remit or otherwise secure 50% of the cash taxes and transfer pricing penalties, plus related interest and instalment penalties assessed, in relation to its dispute with Canada Revenue Agency (CRA) (see note 12). In light of our view of the likely outcome of the case, Cameco expects to recover the amounts remitted to CRA, including cash taxes, interest and penalties totalling \$303,222,000 already paid as at September 30, 2020 (December 31, 2019 - \$303,222,000) (note 12).

(c) Cameco loaned 5,400,000 pounds of uranium concentrate to its joint venture partner, Orano Canada Inc., (Orano). Orano is obligated to repay us in kind with uranium concentrate no later than December 31, 2023. The loan is recorded at Cameco's weighted average cost of inventory.

## 5. Equity-accounted investee

JV Inkai is the operator of the Inkai uranium deposit located in Kazakhstan. JV Inkai is a uranium mining and milling operation that utilizes in-situ recovery (ISR) technology to extract uranium. The participants in JV Inkai purchase uranium from Inkai and, in turn, derive revenue directly from the sale of such product to third-party customers (see note 18). Cameco holds a 40% interest in JV Inkai and Kazatomprom holds a 60% interest. Cameco does not have control over the joint venture so it accounts for the investment on an equity basis.

The following tables summarize the financial information of JV Inkai (100%):

	Sep 30/20	Dec 31/19
Cash and cash equivalents	\$ 16,171	\$ 16,699
Other current assets	80,266	139,324
Non-current assets	356,168	398,721
Current liabilities	(37,544)	(71,162)
Non-current liabilities	(48,196)	(41,508)
<b>Net assets</b>	<b>\$ 366,865</b>	<b>\$ 442,074</b>

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Revenue from products and services	\$ 30,979	\$ 44,372	\$ 98,461	\$ 138,761
Cost of products and services sold	(6,729)	(9,361)	(28,031)	(28,942)
Depreciation and amortization	(2,673)	(4,643)	(10,248)	(14,755)
Finance income	136	190	324	515
Finance costs	(273)	(481)	(849)	(2,654)
Other expense	(2,374)	(14,287)	(4,910)	(20,647)
Income tax expense	(3,375)	(4,573)	(23,785)	(16,238)
<b>Net earnings from continuing operations</b>	<b>\$ 15,691</b>	<b>\$ 11,217</b>	<b>\$ 30,962</b>	<b>\$ 56,040</b>
Other comprehensive loss	-	-	-	(772)
<b>Total comprehensive income</b>	<b>\$ 15,691</b>	<b>\$ 11,217</b>	<b>\$ 30,962</b>	<b>\$ 55,268</b>

The following table reconciles the summarized financial information to the carrying amount of Cameco's interest in JV Inkai:

	Sep 30/20	Dec 31/19
Opening net assets	\$ 442,074	\$ 416,843
Total comprehensive income	30,962	111,094
Dividends declared	(64,457)	(66,369)
Impact of foreign exchange	(41,714)	(19,494)
<b>Closing net assets</b>	<b>366,865</b>	<b>442,074</b>
Cameco's share of net assets	146,746	176,830
Consolidating adjustments <sup>(a)</sup>	(26,056)	(30,633)
Fair value increment <sup>(b)</sup>	90,722	91,697
Dividends declared but not received	8,994	13,859
Dividends in excess of ownership percentage <sup>(c)</sup>	(9,669)	-
Impact of foreign exchange	2,929	928
<b>Carrying amount in the statement of financial position at September 30, 2020</b>	<b>\$ 213,666</b>	<b>\$ 252,681</b>

(a) Cameco records certain consolidating adjustments to eliminate unrealized profit and amortize historical differences in accounting policies. This amount is amortized to earnings over units of production.

(b) Upon restructuring, Cameco assigned fair values to the assets and liabilities of JV Inkai. This increment is amortized to earnings over units of production.

(c) Cameco's share of dividends follows its production purchase entitlements which is currently higher than its ownership interest.

## 6. Other liabilities

	Sep 30/20	Dec 31/19
Deferred sales	\$ 15,200	\$ 17,418
Derivatives [note 16]	22,037	12,524
Accrued pension and post-retirement benefit liability	85,404	80,737
Lease obligation [note 16]	10,192	12,869
Product loans <sup>(a)</sup>	53,176	-
Other	67,522	63,452
	<b>253,531</b>	187,000
Less current portion	<b>(91,571)</b>	<b>(33,073)</b>
<b>Net</b>	<b>\$ 161,960</b>	<b>\$ 153,927</b>

(a) Cameco has standby product loan facilities with various counterparties. The arrangements allow us to borrow up to 1,339,000 kgU of UF<sub>6</sub> conversion services and 2,606,000 pounds of U<sub>3</sub>O<sub>8</sub> over the period 2020 to 2023 with repayment in kind up to December 31, 2023. Under the facilities, standby fees of up to 1% are payable based on the market value of the facilities and interest is payable on the market value of any amounts drawn at rates ranging from 0.5% to 2.0%. During the year, Cameco borrowed 1,213,800 pounds of U<sub>3</sub>O<sub>8</sub> and 464,600 kgU of UF<sub>6</sub> conversion services. Repayment on a portion is due no later than December 31, 2022 with the remainder due no later than March 31, 2023. The loan is recorded at Cameco's weighted average cost of inventory.

## 7. Provisions

	Reclamation	Waste disposal	Total
Beginning of year	\$ 1,050,675	\$ 9,803	\$ 1,060,478
Changes in estimates and discount rates			
Capitalized in property, plant, and equipment	114,746	-	114,746
Recognized in earnings	23,762	639	24,401
Provisions used during the period	(14,268)	(290)	(14,558)
Unwinding of discount	10,462	60	10,522
Impact of foreign exchange	7,213	-	7,213
<b>End of period</b>	<b>\$ 1,192,590</b>	<b>\$ 10,212</b>	<b>\$ 1,202,802</b>
Current	66,455	2,747	69,202
Non-current	1,126,135	7,465	1,133,600
	<b>\$ 1,192,590</b>	<b>\$ 10,212</b>	<b>\$ 1,202,802</b>

## 8. Share capital

At September 30, 2020, there were 395,846,205 common shares outstanding. Options in respect of 6,581,105 shares are outstanding under the stock option plan and are exercisable up to 2027. For the quarter ended September 30, 2020, there were 22,440 options that were exercised resulting in the issuance of shares (2019 - nil). For the nine months ended September 30, 2020, there were 48,473 options exercised that resulted in the issuance of shares (2019 - 5,000).

## 9. Revenue

Cameco's uranium and fuel services sales contracts with customers contain both fixed and market-related pricing. Fixed-price contracts are typically based on a term-price indicator at the time the contract is accepted and escalated over the term of the contract. Market-related contracts are based on either the spot price or long-term price, and the price is quoted at the time of delivery rather than at the time the contract is accepted. These contracts often include a floor and/or ceiling prices, which are usually escalated over the term of the contract. Escalation is generally based on a consumer price index. The Company's contracts contain either one of these pricing mechanisms or a combination of the two. There is no variable consideration in the contracts and therefore no revenue is considered constrained at the time of delivery. Cameco expenses the incremental costs of obtaining a contract as incurred as the amortization period is less than a year.

The following tables summarize Cameco's sales disaggregated by geographical region and contract type and includes a reconciliation to Cameco's reportable segments (note 17):

### For the three months ended September 30, 2020

	Uranium	Fuel services	Other	Total
<b>Customer geographical region</b>				
Americas	\$ 105,006	\$ 47,078	\$ -	\$ 152,084
Europe	49,751	21,137	-	70,888
Asia	147,425	8,473	-	155,898
	<b>\$ 302,182</b>	<b>\$ 76,688</b>	<b>\$ -</b>	<b>\$ 378,870</b>
<b>Contract type</b>				
Fixed-price	\$ 35,726	\$ 68,598	\$ -	\$ 104,324
Market-related	266,456	8,090	-	274,546
	<b>\$ 302,182</b>	<b>\$ 76,688</b>	<b>\$ -</b>	<b>\$ 378,870</b>

### For the three months ended September 30, 2019

	Uranium	Fuel services	Other	Total
<b>Customer geographical region</b>				
Americas	\$ 145,378	\$ 44,044	\$ -	\$ 189,422
Europe	53,960	517	-	54,477
Asia	48,281	11,000	-	59,281
	<b>\$ 247,619</b>	<b>\$ 55,561</b>	<b>\$ -</b>	<b>\$ 303,180</b>
<b>Contract type</b>				
Fixed-price	\$ 35,678	\$ 48,480	\$ -	\$ 84,158
Market-related	211,941	7,081	-	219,022
	<b>\$ 247,619</b>	<b>\$ 55,561</b>	<b>\$ -</b>	<b>\$ 303,180</b>

For the nine months ended September 30, 2020

	Uranium	Fuel services	Other	Total
<b>Customer geographical region</b>				
Americas	\$ 408,921	\$ 150,918	\$ 7,676	\$ 567,515
Europe	230,534	97,229	3,331	331,094
Asia	336,616	14,492	-	351,108
	<b>\$ 976,071</b>	<b>\$ 262,639</b>	<b>\$ 11,007</b>	<b>\$ 1,249,717</b>
<b>Contract type</b>				
Fixed-price	\$ 196,978	\$ 252,843	\$ 7,686	\$ 457,507
Market-related	779,093	9,796	3,321	792,210
	<b>\$ 976,071</b>	<b>\$ 262,639</b>	<b>\$ 11,007</b>	<b>\$ 1,249,717</b>

For the nine months ended September 30, 2019

	Uranium	Fuel services	Other	Total
<b>Customer geographical region</b>				
Americas	\$ 410,276	\$ 151,888	\$ 2,667	\$ 564,831
Europe	180,417	50,843	3,587	234,847
Asia	157,033	15,818	15,953	188,804
	<b>\$ 747,726</b>	<b>\$ 218,549</b>	<b>\$ 22,207</b>	<b>\$ 988,482</b>
<b>Contract type</b>				
Fixed-price	\$ 142,506	\$ 205,044	\$ 13,071	\$ 360,621
Market-related	605,220	13,505	9,136	627,861
	<b>\$ 747,726</b>	<b>\$ 218,549</b>	<b>\$ 22,207</b>	<b>\$ 988,482</b>

## 10. Finance costs

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Interest on long-term debt	\$ 10,799	\$ 15,628	\$ 31,950	\$ 52,581
Unwinding of discount on provisions	2,500	5,817	10,522	17,885
Other charges	3,567	4,097	10,306	11,264
<b>Total</b>	<b>\$ 16,866</b>	<b>\$ 25,542</b>	<b>\$ 52,778</b>	<b>\$ 81,730</b>

## 11. Other income (expense)

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Arbitration award	\$ -	\$ 52,801	\$ -	\$ 52,801
Foreign exchange gains (losses)	(10,750)	8,121	20,676	(5,928)
Other	-	-	202	-
<b>Total</b>	<b>\$ (10,750)</b>	<b>\$ 60,922</b>	<b>\$ 20,878</b>	<b>\$ 46,873</b>

## 12. Income taxes

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Earnings (loss) before income taxes				
Canada	\$ (21,172)	\$ 44,224	\$ (51,116)	\$ 64,113
Foreign	(45,077)	(47,411)	(94,977)	(106,051)
	\$ (66,249)	\$ (3,187)	\$ (146,093)	\$ (41,938)
Current income taxes (recovery)				
Canada	\$ (73)	\$ 806	\$ (1,292)	\$ 5,238
Foreign	136	(1,019)	659	741
	\$ 63	\$ (213)	\$ (633)	\$ 5,979
Deferred income taxes (recovery)				
Canada	\$ (5,645)	\$ 12,596	\$ (15,934)	\$ 13,220
Foreign	105	(2,088)	3,490	(6,740)
	\$ (5,540)	\$ 10,508	\$ (12,444)	\$ 6,480
<b>Income tax expense (recovery)</b>	<b>\$ (5,477)</b>	<b>\$ 10,295</b>	<b>\$ (13,077)</b>	<b>\$ 12,459</b>

Cameco has recorded \$968,338,000 of deferred tax assets (December 31, 2019 - \$956,376,000). The realization of these deferred tax assets is dependent upon the generation of future taxable income in certain jurisdictions during the periods in which the Company's temporary tax differences are available. The Company considers whether it is probable that all or a portion of the deferred tax assets will not be realized. In making this assessment, management considers all available evidence, including recent financial operations, projected future taxable income and tax planning strategies. Based on projections of future taxable income over the periods in which the deferred tax assets are available, realization of these deferred tax assets is probable and consequently the deferred tax assets have been recorded.

### Canada

In 2008, as part of the ongoing annual audits of Cameco's Canadian tax returns, Canada Revenue Agency (CRA) disputed the transfer pricing structure and methodology used by Cameco and its wholly owned Swiss subsidiary, Cameco Europe Ltd., in respect of sale and purchase agreements for uranium products. From December 2008 to date, CRA issued notices of reassessment for the taxation years 2003 through 2013, which in aggregate have increased Cameco's income for Canadian tax purposes by approximately \$5,700,000,000. CRA has also issued notices of reassessment for transfer pricing penalties for the years 2007 through 2011 in the amount of \$371,000,000.

On June 26, 2020, the Federal Court of Appeal (Court of Appeal) released its decision in the Company's dispute with CRA. The Court of Appeal decision upholds the September 26, 2018 decision of the Tax Court of Canada (Tax Court) which ruled in Cameco's favour for the 2003, 2005 and 2006 tax years.

The Court of Appeal decision upheld the Tax Court ruling that the Company's marketing and trading structure involving foreign subsidiaries and the related transfer pricing methodology used for certain intercompany uranium purchase and sale agreements were in full compliance with Canadian laws for the three tax years in question. Management believes the principles in the decision apply to all subsequent tax years.

On October 30, 2020, CRA made an application to the Supreme Court of Canada (Supreme Court) to seek leave to appeal the decision of the Court of Appeal. The Supreme Court will decide whether to hear the appeal or decline CRA's request for leave. If the appeal proceeds, Cameco estimates that it could take until the second half of 2022 before a decision is rendered by the Supreme Court.

Despite the fact that Cameco believes there is no basis to do so and it is not the Company's view of the likely outcome, until Cameco knows whether an appeal to the Supreme Court will be granted, and a resolution is reached for all tax years in question, CRA may continue to reassess Cameco using the methodology it reassessed the 2003 through 2013 tax years with. In that scenario, and including the \$5,700,000,000 already reassessed, the Company could receive notices of reassessment for a total of approximately \$8,700,000,000 of additional taxable income for the years 2003 through 2019, which would increase Cameco's related tax expense by approximately \$2,600,000,000. In addition to penalties already imposed, CRA may continue to apply penalties to taxation years subsequent to 2011. In that case, Cameco estimates that cash taxes and transfer pricing penalties would be between \$1,950,000,000 and \$2,150,000,000. In addition, CRA may seek to apply interest and instalment penalties that would be material to Cameco. While in dispute, Cameco would be required to remit or otherwise secure 50% of the cash taxes and transfer pricing penalties (between \$970,000,000 and \$1,070,000,000), plus related interest and instalment penalties assessed, which would be material to the Company. Cameco expects further actions regarding the tax years 2007 through 2013 will be suspended until the three years covered in the decision are finally resolved.

Management believes that the ultimate resolution will not be material to Cameco's financial position, results of operations or liquidity in the year(s) of resolution. However, resolution of this matter as stipulated by CRA would be material to Cameco's financial position, results of operations or liquidity in the year(s) of resolution and other unfavourable outcomes for the years 2003 to date could be material to Cameco's financial position, results of operations and cash flows in the year(s) of resolution.

If CRA continues to pursue reassessments for tax years subsequent to 2006, Cameco will continue to utilize its appeal rights under Canadian federal and provincial tax rules.

### 13. Per share amounts

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the period. The weighted average number of paid shares outstanding in 2020 was 395,817,431 (2019 - 395,796,322).

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
<b>Basic loss per share computation</b>				
Net loss attributable to equity holders	\$ (60,770)	\$ (13,467)	\$ (132,996)	\$ (54,355)
Weighted average common shares outstanding	395,841	395,798	395,817	395,796
<b>Basic loss per common share</b>	\$ (0.15)	\$ (0.03)	\$ (0.34)	\$ (0.14)
<b>Diluted loss per share computation</b>				
Net loss attributable to equity holders	\$ (60,770)	\$ (13,467)	\$ (132,996)	\$ (54,355)
Weighted average common shares outstanding	395,841	395,798	395,817	395,796
Dilutive effect of stock options	312	-	200	-
Weighted average common shares outstanding, assuming dilution	396,153	395,798	396,017	395,796
<b>Diluted loss per common share</b>	\$ (0.15)	\$ (0.03)	\$ (0.34)	\$ (0.14)

### 14. Statements of cash flows

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Changes in non-cash working capital:				
Accounts receivable	\$ (53,156)	\$ 31,677	\$ 54,165	\$ 225,094
Inventories	17,098	155,613	(347,022)	(52,529)
Supplies and prepaid expenses	(927)	(882)	(11,654)	(10,076)
Accounts payable and accrued liabilities	(7,357)	(36,551)	58,783	(75,688)
Reclamation payments	(3,093)	(6,966)	(14,558)	(20,513)
Other	527	(6,928)	(1,020)	5,340
<b>Other operating items</b>	\$ (46,908)	\$ 135,963	\$ (261,306)	\$ 71,628

### 15. Share-based compensation plans

#### A. Stock option plan

The Company has established a stock option plan under which options to purchase common shares may be granted to employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange (TSX) for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options carry vesting periods of one to three years, and expire eight years from the date granted.

The aggregate number of common shares that may be issued pursuant to the Cameco stock option plan shall not exceed 43,017,198 of which 27,923,762 shares have been issued.

## B. Executive performance share unit (PSU)

The Company has established a PSU plan whereby it provides each plan participant an annual grant of PSUs in an amount determined by the board. Each PSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash with an equivalent market value, at the participant's discretion provided they have met their ownership requirements, at the end of each three-year period if certain performance and vesting criteria have been met. The final value of the PSUs will be based on the value of Cameco common shares at the end of the three-year period and the number of PSUs that ultimately vest. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units as of each normal cash dividend payment date of Cameco's common shares. Vesting of PSUs at the end of the three-year period is based on Cameco's ability to meet its annual operating targets and whether the participating executive remains employed by Cameco at the end of the three-year vesting period. Prior to 2020, total shareholder return over three years was also a vesting condition. This condition was removed during the first quarter for new grants. If the participant elects a cash payout, the redemption amount will be based on the volume-weighted average trading price of Cameco's common shares on March 1 or, if March 1 is not a trading day, on the first trading day following March 1. As of September 30, 2020, the total number of PSUs held by the participants, after adjusting for forfeitures on retirement, was 1,712,558 (December 31, 2019 - 1,465,618).

## C. Restricted share unit (RSU)

The Company has established an RSU plan whereby it provides each plan participant an annual grant of RSUs in an amount determined by the board. Each RSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash with an equivalent market value, at the board's discretion. The RSUs carry vesting periods of one to three years, and the final value of the units will be based on the value of Cameco common shares at the end of the vesting periods. In addition, certain eligible participants have a single vesting date on the third anniversary of the date of the grant. These same participants, if they have met or are not subject to share ownership requirements, may elect to have their award paid as a lump sum cash amount. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units as of each normal cash dividend payment date of Cameco's common shares. As of September 30, 2020, the total number of RSUs held by the participants was 927,598 (December 31, 2019 - 443,274).

### Equity-settled plans

Cameco records compensation expense under its equity-settled plans with an offsetting credit to contributed surplus, to reflect the estimated fair value of units granted to employees. During the period, the Company recognized the following expenses under these plans:

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Stock option plan	\$ 209	\$ 463	\$ 792	\$ 3,940
Performance share unit plan <sup>(a)</sup>	504	1,839	2,124	5,333
Restricted share unit plan	728	700	2,121	1,943
	\$ 1,441	\$ 3,002	\$ 5,037	\$ 11,216

(a) In the fourth quarter of 2019, the PSU plan was amended to allow eligible participants to elect payout of their grants in cash or shares, provided they have met their share ownership requirements. As a result, this plan is now considered cash-settled for new grants. Expenses related to PSUs granted in previous years will continue to appear as equity-settled if certain assumptions related to the calculation of fair value are met.

The fair value of RSUs granted was determined based on their intrinsic value on the date of grant.

The inputs used in the measurement of the fair value at grant date of the equity-settled share-based payment plan were as follows:

	RSU
Number of options granted	283,426
Average strike price	\$11.45
Expected forfeitures	13%
Weighted average grant date fair values	\$11.45

### Cash-settled plans

During the period, the Company recognized the following expenses under these plans:

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Performance share unit plan	\$ 2,836	\$ -	\$ 11,389	\$ -
Restricted share unit plan <sup>(a)</sup>	419	-	1,003	-
	\$ 3,255	\$ -	\$ 12,392	\$ -

(a) Due to the inclusion of a new group of participants in the RSU plan that are able to elect cash settlement, grants to this group will appear as an expense of a cash-settled plan. Grants to the original group of participants are still disclosed as an expense of an equity-settled plan.

The fair value of the units granted through the PSU plan was determined based on Monte Carlo simulation and the fair value of RSUs granted was determined based on their intrinsic value on the date of grant. Expected volatility was estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values of the cash-settled share-based payment plans at the grant and reporting dates were as follows:

	PSU		RSU	
	Grant date	Reporting date	Grant date	Reporting date
	Mar 1/20	Sep 30/20	Mar 1/20	Sep 30/20
Number of units	636,570	1,712,558	423,180	423,180
Expected vesting	102%	122%	-	-
Expected volatility <sup>(a)</sup>	-	44%	-	-
Risk-free interest rate <sup>(a)</sup>	-	0.2%	-	-
Expected life of option	3.0 years	1.3 years	3.0 years	2.4 years
Expected forfeitures	12%	11%	12%	12%
Weighted average measurement date fair values	\$11.45	\$16.39	\$11.45	\$13.45

(a) During the first quarter of 2020, the vesting conditions of the PSU plan were amended such that total shareholder return is no longer included for new grants. Due to this change, expected volatility and the risk-free interest rate will no longer be considered in calculating the fair value of new grants.

## 16. Financial instruments and related risk management

### A. Accounting classifications

The following tables summarize the carrying amounts and accounting classifications of Cameco's financial instruments at the reporting date:

#### At September 30, 2020

	FVTPL	Amortized cost	FVOCI - designated	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ -	\$ 772,756	\$ -	\$ 772,756
Short-term investments	-	19,988	-	19,988
Accounts receivable	-	297,968	-	297,968
Derivative assets [note 4]				
Foreign currency contracts	19,976	-	-	19,976
Interest rate contracts	7,413	-	-	7,413
Investments in equity securities [note 4]	-	-	27,402	27,402
	<b>27,389</b>	<b>1,090,712</b>	<b>27,402</b>	<b>1,145,503</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	-	237,619	-	237,619
Lease obligation [note 6]	-	10,192	-	10,192
Derivative liabilities [note 6]				
Foreign currency contracts	22,037	-	-	22,037
Long-term debt	-	997,222	-	997,222
	<b>22,037</b>	<b>1,245,033</b>	<b>-</b>	<b>1,267,070</b>
<b>Net</b>	<b>5,352</b>	<b>(154,321)</b>	<b>27,402</b>	<b>(121,567)</b>

**At December 31, 2019**

	FVTPL	Amortized cost	FVOCI - designated	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ -	\$ 1,062,431	\$ -	\$ 1,062,431
Accounts receivable	-	328,044	-	328,044
Derivative assets [note 4]				
Foreign currency contracts	8,191	-	-	8,191
Interest rate contracts	2,313	-	-	2,313
Investments in equity securities [note 4]	-	-	24,408	24,408
	<b>\$ 10,504</b>	<b>\$ 1,390,475</b>	<b>\$ 24,408</b>	<b>\$ 1,425,387</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$ -	\$ 181,799	\$ -	\$ 181,799
Lease obligation [note 6]	-	12,869	-	12,869
Derivative liabilities [note 6]				
Foreign currency contracts	12,524	-	-	12,524
Long-term debt	-	996,718	-	996,718
	<b>12,524</b>	<b>1,191,386</b>	<b>-</b>	<b>1,203,910</b>
<b>Net</b>	<b>\$ (2,020)</b>	<b>\$ 199,089</b>	<b>\$ 24,408</b>	<b>\$ 221,477</b>

Cameco has pledged \$195,138,000 of cash as security against certain of its letter of credit facilities. This cash is being used as collateral for an interest rate reduction on the letter of credit facilities. The collateral account has a term of five years effective July 1, 2018. Cameco retains full access to this cash.

**B. Fair value hierarchy**

The fair value of an asset or liability is generally estimated as the amount that would be received on sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the reporting date. Fair values of assets and liabilities traded in an active market are determined by reference to last quoted prices, in the principal market for the asset or liability. In the absence of an active market for an asset or liability, fair values are determined based on market quotes for assets or liabilities with similar characteristics and risk profiles, or through other valuation techniques. Fair values determined using valuation techniques require the use of inputs, which are obtained from external, readily observable market data when available. In some circumstances, inputs that are not based on observable data must be used. In these cases, the estimated fair values may be adjusted in order to account for valuation uncertainty, or to reflect the assumptions that market participants would use in pricing the asset or liability.

All fair value measurements are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the reporting date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables summarize the carrying amounts and fair values of Cameco's financial instruments that are measured at fair value, including their levels in the fair value hierarchy:

**As at September 30, 2020**

	Carrying value	Fair value		Total
		Level 1	Level 2	
Derivative assets [note 4]				
Foreign currency contracts	\$ 19,976	\$ -	\$ 19,976	\$ 19,976
Interest rate contracts	7,413	-	7,413	7,413
Investments in equity securities [note 4]	27,402	27,402	-	27,402
Current portion of long-term debt	-	-	-	-
Derivative liabilities [note 6]				
Foreign currency contracts	(22,037)	-	(22,037)	(22,037)
Long-term debt	(997,222)	-	(1,157,723)	(1,157,723)
<b>Net</b>	<b>\$ (964,468)</b>	<b>\$ 27,402</b>	<b>\$ (1,152,371)</b>	<b>\$ (1,124,969)</b>

**As at December 31, 2019**

	Carrying value	Fair value		Total
		Level 1	Level 2	
Derivative assets [note 4]				
Foreign currency contracts	\$ 8,191	\$ -	\$ 8,191	\$ 8,191
Interest rate contracts	2,313	-	2,313	2,313
Investments in equity securities [note 4]	24,408	24,408	-	24,408
Derivative liabilities [note 6]				
Foreign currency contracts	(12,524)	-	(12,524)	(12,524)
Long-term debt	(996,718)	-	(1,111,923)	(1,111,923)
<b>Net</b>	<b>\$ (974,330)</b>	<b>\$ 24,408</b>	<b>\$ (1,113,943)</b>	<b>\$ (1,089,535)</b>

The preceding tables exclude fair value information for financial instruments whose carrying amounts are a reasonable approximation of fair value. The carrying value of Cameco's cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximates its fair value as a result of the short-term nature of the instruments.

There were no transfers between level 1 and level 2 during the period. Cameco does not have any financial instruments that are classified as level 3 as of the reporting date.

**C. Financial instruments measured at fair value**

Cameco measures its derivative financial instruments, material investments in equity securities and long-term debt at fair value. Investments in publicly held equity securities are classified as a recurring level 1 fair value measurement while derivative financial instruments and current and long-term debt are classified as recurring level 2 fair value measurements.

The fair value of investments in equity securities is determined using quoted share prices observed in the principal market for the securities as of the reporting date. The fair value of Cameco's long-term debt is determined using quoted market yields as of the reporting date, which ranged from 0.3% to 1.0% (2018 - 1.7% to 1.8%).

Foreign currency derivatives consist of foreign currency forward contracts, options and swaps. The fair value of foreign currency options is measured based on the Black Scholes option-pricing model. The fair value of foreign currency forward contracts and swaps is measured using a market approach, based on the difference between contracted foreign exchange rates and quoted forward exchange rates as of the reporting date.

Interest rate derivatives consist of interest rate swap contracts. The fair value of interest rate swaps is determined by discounting expected future cash flows from the contracts. The future cash flows are determined by measuring the difference between fixed interest payments to be received and floating interest payments to be made to the counterparty based on Canada Dealer Offer Rate forward interest rate curves.

Where applicable, the fair value of the derivatives reflects the credit risk of the instrument and includes adjustments to take into account the credit risk of the Company and counterparty. These adjustments are based on credit ratings and yield curves observed in active markets at the reporting date.

#### D. Derivatives

The following table summarizes the fair value of derivatives and classification on the consolidated statements of financial position:

	Sep 30/20	Dec 31/19
Non-hedge derivatives:		
Foreign currency contracts	\$ (2,061)	\$ (4,333)
Interest rate contracts	7,413	2,313
<b>Net</b>	<b>\$ 5,352</b>	<b>\$ (2,020)</b>
Classification:		
Current portion of long-term receivables, investments and other [note 4]	\$ 7,059	\$ 4,144
Long-term receivables, investments and other [note 4]	20,330	6,360
Current portion of other liabilities [note 6]	(12,709)	(7,505)
Other liabilities [note 6]	(9,328)	(5,019)
<b>Net</b>	<b>\$ 5,352</b>	<b>\$ (2,020)</b>

The following table summarizes the different components of the gain (loss) on derivatives included in net earnings (loss):

	Three months ended		Nine months ended	
	Sep 30/20	Sep 30/19	Sep 30/20	Sep 30/19
Non-hedge derivatives				
Foreign currency contracts	\$ 20,506	\$ (15,094)	\$ (10,940)	\$ 17,350
Interest rate contracts	224	(353)	6,060	3,211
Uranium contracts	-	(1)	-	(1,478)
<b>Net</b>	<b>\$ 20,730</b>	<b>\$ (15,448)</b>	<b>\$ (4,880)</b>	<b>\$ 19,083</b>

## 17. Segmented information

Cameco has two reportable segments: uranium and fuel services. Cameco's reportable segments are strategic business units with different products, processes and marketing strategies. The uranium segment involves the exploration for, mining, milling, purchase and sale of uranium concentrate. The fuel services segment involves the refining, conversion and fabrication of uranium concentrate and the purchase and sale of conversion services.

Cost of sales in the uranium segment includes care and maintenance costs for our operations that have had production suspensions. Cameco expensed \$55,024,000 of care and maintenance costs during the third quarter of 2020 (2019 - \$34,007,000). For the nine months ended September 30, 2020, Cameco expensed \$155,073,000 (2019 - \$112,668,000). Included in these amounts are \$17,726,000 for the quarter and \$45,988,000 for the nine months ended September 30, 2020 relating to care and maintenance costs for operations suspended as a result of COVID-19. Also included in cost of sales as a result of the Cigar Lake production suspension, is the impact of increased purchasing activity at a higher cost than produced pounds.

Cost of sales in the fuel services segment also includes care and maintenance costs for our operations that have had production suspensions as a result of COVID-19. Cameco expensed \$8,992,000 in the second quarter of 2020.

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies. Segment revenues, expenses and results include transactions between segments incurred in the ordinary course of business. These transactions are priced on an arm's length basis, are eliminated on consolidation and are reflected in the "other" column.

## Business segments

For the three months ended September 30, 2020

	Uranium	Fuel services	Other	Total
Revenue	\$ 302,182	\$ 76,688	\$ -	\$ 378,870
Expenses				
Cost of products and services sold	318,162	54,690	10	372,862
Depreciation and amortization	18,010	10,235	1,409	29,654
<b>Cost of sales</b>	<b>336,172</b>	<b>64,925</b>	<b>1,419</b>	<b>402,516</b>
<b>Gross profit (loss)</b>	<b>(33,990)</b>	<b>11,763</b>	<b>(1,419)</b>	<b>(23,646)</b>
Administration	-	-	30,414	30,414
Exploration	1,914	-	-	1,914
Research and development	-	-	493	493
Other operating expense	6,861	-	-	6,861
Loss on disposal of assets	169	389	-	558
Finance costs	-	-	16,866	16,866
Gain on derivatives	-	-	(20,730)	(20,730)
Finance income	-	-	(1,327)	(1,327)
Share of earnings from equity-accounted investee	(3,196)	-	-	(3,196)
Other expense	-	-	10,750	10,750
<b>Earnings (loss) before income taxes</b>	<b>(39,738)</b>	<b>11,374</b>	<b>(37,885)</b>	<b>(66,249)</b>
Income tax recovery				(5,477)
<b>Net loss</b>				<b>\$ (60,772)</b>

**For the three months ended September 30, 2019**

	Uranium	Fuel services	Other	Total
Revenue	\$ 247,619	\$ 55,561	\$ -	\$ 303,180
Expenses				
Cost of products and services sold	192,571	43,198	30	235,799
Depreciation and amortization	58,122	8,368	2,927	69,417
<b>Cost of sales</b>	<b>250,693</b>	<b>51,566</b>	<b>2,957</b>	<b>305,216</b>
<b>Gross profit (loss)</b>	<b>(3,074)</b>	<b>3,995</b>	<b>(2,957)</b>	<b>(2,036)</b>
Administration	-	-	24,403	24,403
Exploration	3,478	-	-	3,478
Research and development	-	-	1,524	1,524
Other operating expense	3,690	-	-	3,690
Loss on disposal of assets	272	-	-	272
Finance costs	-	-	25,542	25,542
Loss on derivatives	-	-	15,448	15,448
Finance income	-	-	(10,375)	(10,375)
Share of earnings from equity-accounted investee	(1,909)	-	-	(1,909)
Other income	(52,801)	-	(8,121)	(60,922)
<b>Earnings (loss) before income taxes</b>	<b>44,196</b>	<b>3,995</b>	<b>(51,378)</b>	<b>(3,187)</b>
Income tax expense				10,295
<b>Net loss</b>				<b>\$ (13,482)</b>

**For the nine months ended September 30, 2020**

	Uranium	Fuel services	Other	Total
Revenue	\$ 976,071	\$ 262,639	\$ 11,007	\$ 1,249,717
Expenses				
Cost of products and services sold	943,288	168,012	7,424	1,118,724
Depreciation and amortization	95,942	29,446	7,888	133,276
<b>Cost of sales</b>	<b>1,039,230</b>	<b>197,458</b>	<b>15,312</b>	<b>1,252,000</b>
<b>Gross profit (loss)</b>	<b>(63,159)</b>	<b>65,181</b>	<b>(4,305)</b>	<b>(2,283)</b>
Administration	-	-	100,073	100,073
Exploration	8,312	-	-	8,312
Research and development	-	-	1,668	1,668
Other operating expense	23,762	-	-	23,762
Loss on disposal of assets	126	383	-	509
Finance costs	-	-	52,778	52,778
Loss on derivatives	-	-	4,880	4,880
Finance income	-	-	(9,479)	(9,479)
Share of earnings from equity-accounted investee	(17,815)	-	-	(17,815)
Other income	(201)	-	(20,677)	(20,878)
<b>Earnings (loss) before income taxes</b>	<b>(77,343)</b>	<b>64,798</b>	<b>(133,548)</b>	<b>(146,093)</b>
Income tax recovery				(13,077)
<b>Net loss</b>				<b>\$ (133,016)</b>

**For the nine months ended September 30, 2019**

	Uranium	Fuel services	Other	Total
Revenue	\$ 747,726	\$ 218,549	\$ 22,207	\$ 988,482
Expenses				
Cost of products and services sold	598,910	146,384	16,169	761,463
Depreciation and amortization	131,620	28,381	9,751	169,752
<b>Cost of sales</b>	<b>730,530</b>	<b>174,765</b>	<b>25,920</b>	<b>931,215</b>
<b>Gross profit (loss)</b>	<b>17,196</b>	<b>43,784</b>	<b>(3,713)</b>	<b>57,267</b>
Administration	-	-	90,442	90,442
Exploration	11,345	-	-	11,345
Research and development	-	-	4,246	4,246
Other operating expense	29,253	-	-	29,253
Loss on disposal of assets	72	-	-	72
Finance costs	-	-	81,730	81,730
Gain on derivatives	-	-	(19,083)	(19,083)
Finance income	-	-	(25,486)	(25,486)
Share of earnings from equity-accounted investee	(26,441)	-	-	(26,441)
Other expense (income)	(52,801)	-	5,928	(46,873)
<b>Earnings (loss) before income taxes</b>	<b>55,768</b>	<b>43,784</b>	<b>(141,490)</b>	<b>(41,938)</b>
Income tax expense				12,459
<b>Net loss</b>				<b>\$ (54,397)</b>

## 18. Related parties

Cameco funded JV Inkai's project development costs through an unsecured shareholder loan. The limit of the loan facility was \$175,000,000 (US) and advances under the facility bore interest at a rate of LIBOR plus 2%. At September 30, 2020, there was no principal outstanding as the loan was fully repaid in the third quarter of 2019. For the quarter ended September 30, 2019, Cameco recorded interest income of \$231,000 relating to this balance. For the nine month period ended September 30, 2019, interest income was \$1,878,000.

Cameco purchases uranium concentrate from JV Inkai. For the quarter ended September 30, 2020, Cameco had purchases from JV Inkai of \$28,826,000 (\$21,348,000 (US)) (2019 - \$22,217,000 (\$16,741,000 (US))). For the nine month period ended September 30, 2020, purchases were \$48,025,000 (\$35,914,000 (US)) (2019 - \$68,783,000 (\$51,415,000 (US))).

## 19. Subsequent event

On October 21, 2020, Cameco announced the completion of a private placement of senior unsecured debentures consisting of \$400,000,000 of 2.95% Senior Unsecured Debentures, Series H maturing on October 21, 2027. These debentures bear interest at a rate of 2.95% per annum, payable semi-annually in arrears on April 21 and October 21 of each year, with the first interest payment on April 21, 2021.

Cameco will use the net proceeds of the placement to redeem all of its outstanding 3.75% Senior Unsecured Debentures, Series E that are due November 14, 2022. The redemption will be completed on or about November 20, 2020. Cameco expects to recognize approximately \$24,450,000 of finance costs in relation to the early redemption in its results for the fourth quarter of 2020.