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SMITHWEEKLY RESEARCH

CAMECO CORPORATION
DESK OF THE CEO
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Sent Via Email

Attention: Tim Gitzel, President & CEO

Subject: Cameco's New Market: How Cameco can set itself up for a better future.

Dear Mr. Gitzel,

We want to congratulate you and the management team of Cameco on the recent decision to suspend operations at McArthur River. This decision was long overdue in light of poor uranium mining industry conditions that have prevailed for some years. As we both know, these periods of industry cleansing are healthy for the market. While your recent decision was a step in the right direction, we also both know that much more must be done to setup a better and more sustainable industry going forward. This is specifically what we want to discuss in this letter and we hope you give our discussion some due attention.

As you are aware, the industry has been in consolidation and liquidation for the past few years. As a result, high quality assets can be acquired by deploying little capital. Now is a great time to be adding millions of low cost in-ground uranium pounds to Cameco's global asset base. Adding great values at these depressed levels today will payoff handsomely over the long term. Cameco needs to consider today how it will strategically move to build its resource assets before they become fairly priced yet again as the market turns. For key positioning, the company needs to concern itself with the following important matters:

Production

Cameco should immediately stop all non-contractual production at mine facilities and scale back operations to support only contractual obligations. From this point, the company needs to focus on producing only the lowest cost uranium resources within its suite of operations. Low cost targeting might include high grade areas and/or areas with non-uranium credits that knock down per pound uranium mining costs. Further, as the company winds down self production, consideration needs to be given to using marketplace relationships to buy uranium supply that can be purchased at cheap spot prices in lieu of producing at higher prices. As company inventories decrease as a result of selling surplus to company clients, Cameco needs to review possible purchases of market supply at lower costs to fulfill a portion or all of the long term contractual obligations already in place with existing clients. There is no need to bake yellow cake at $35/lb and sell it for $50/lb when you can strategically secure market supply from spot markets at $25/lb and then sell it for $50/lb contracted rates. These figures are examples only as we understand the company has various agreements in place at various rates. Of course, we would expect that Cameco retain any required minimum inventories that it has obligated for securing ongoing contract arrangements and collaterals. Operations and inventory building would re-commence once the spot price is back near average all in production cost levels.

Administrative Burden

Industry conditions are such that fat cannot be tolerated if you are one of the few good companies in the industry. Cameco needs to continue to lean out its general and administrative costs to save capital. An industry in liquidation means that those who are among the best issuers will take drastic and bold actions to ensure survival while having the leverage to grow during difficult market cycles. That means management takes haircuts right along with the operational cuts if the common goal is to survive and become value robust during market lows. Cameco has a very detailed and convincing compensation program. Putting explanations and defenses for compensation levels aside, these are tough market times…even the best talent can't turn positive cash flows when uranium trades for $25/pound. Management needs to align themselves further with shareholders by reducing burdensome cash burn and focusing more on share price based performance rewards at much higher prices. The focus should be on how management can take action to build the share price. That is done by slashing costs, leveraging value with the savings, and mitigating supply/demand side destruction from within the company. As one of the world's top producers, you have market moving impacts.

Dividend Suspension

Capital used for regular dividends during poor market conditions is best used elsewhere. Cameco must re-invest capital under current conditions to build in-ground assets. The company's share price has lost 84% of its value ($8 low / $50 high) from top to bottom. At current dividend rates, including dividends paid since 2006, it will take a great many years of dividends alone to recoup capital loss for the large majority of investors who bought and held shares between then and 2014. We suspect that some know that the core reason for buying shares of Cameco is not about getting paid just the dividends…it is about leverage to the price of uranium both on the downside and, of course, the upside…the icing on the cake. We recommend you eliminate the dividend going forward until markets are in a condition to support such costs. Investors searching for income payouts can look to the company bonds instead. Cameco stock is about capital appreciation. Dividend cost savings should be applied toward cash for acquisition activities while the market remains depressed. When no value can be added via acquisitions, a less preferable option would be to buyback and retire shares of company stock only when they trade at depressed levels, say, below $10/share. Mr. Gitzel, it's time to suspend the dividend and build cash. The only value today is in bargain assets.

Collaboration With Industry Leaders
Cameco should continue building working relationships with other uranium mining industry leaders such as KazAtomProm, Areva, Rio Tinto, ARMZ Uranium, China National Nuclear Corporation, and BHP Billiton to establish prudent operational strategies with common market goals during this low uranium price environment. These market leaders should have a vested interest aligned with shareholders in protecting, sustaining, and growing their businesses during current market environment. Experienced and intelligent companies establish their cash, debt, and industry leverage in an efficient and more economically robust manner to capitalize on the existing type of market situation we face today.

Acquisitions & Asset Growth
As we mentioned before, now is the time to be taking out quality assets that are trading at severe discounts. Cameco needs to capitalize on the existing liquidation situation that prevails in the market today. The company needs to be looking for replacement pounds for its depleting mines as well as growing overall in-ground assets globally. The company should diversify its operations beyond Canada, U.S., Australia, and Europe. While the company should take advantage of adding value in these traditionally robust jurisdictions, attractive projects and exploration potential exists in surprisingly good jurisdictions such as Namibia, Peru, Argentina, Greenland, Botswana, Mongolia, and Brazil. Cameco should continue to diversify by adding exposure to a few of these jurisdictions via joint venture earn-in agreements and, if favorable, outright takeover of projects from junior explorers/developers.

As it stands today, the industry is mostly consolidated to near 50 publically traded issuers of which we assume you can name most of them with little effort. By way of example, we want to mention some specific assets worthy of Cameco's review that could potentially move the needle of Cameco's growth objectives. First, to Cameco's more favored jurisdictions:

- ► Increasing joint venture arrangements/acquisitions with uranium explorers in Canada. Examples:
  - Potential earn-in for development/exploration with Nexgen and/or Fission's projects.
  - Acquisition of Paladin's Canadian assets.
- ► Increasing joint venture arrangements/acquisitions with uranium explorers in the U.S. Examples:
  - Ventures with existing small U.S. developer/explorers such as Energy Fuels & Uranium Energy.
  - Acquisition or partnership with Virginia Energy Resources to permit and develop the Coles Hill project.
- ► Increasing joint venture arrangements with uranium explorers in Australia & Europe. Examples:
  - Joint venture partnership with Aura Energy to optimize and develop its assets in Sweden.
  - Acquisition of develop-able assets in Australia from Summit Resources.

Turning attention to Cameco's diversification strategy into other increasingly favorable jurisdictions that we mentioned above, we suggest Cameco review potential of the following:

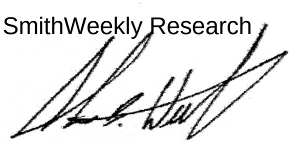
- ► Increasing joint venture arrangements/acquisitions with uranium explorers and project developers. Examples:
  - Potential earn-in for development or outright acquisition of Forsys Metal's uranium deposit in Namibia.
  - Potential earn-in for development or outright acquisition of A-Cap's uranium deposit in Botswana.
  - Joint venture and/or greenfield exploration for uranium assets in Peru and Argentina. Plateau Uranium's asset development in Peru is a notable example worth looking at.
  - Deep Yellow's extensive exploration grounds of what potentially could be a consolidated suite of low cost uranium deposits in a proven Namibian district provides a notable joint venture opportunity for Cameco.
  - Greenland Minerals is demonstrating that Greenland has significant potential for natural resources and offers an interesting development potential. This initial deposit has the potential to be a significant asset growth vehicle for Cameco.
  - Goviex's diverse African assets offer multi-jurisdictional exploration potential and possible partnerships to develop some existing deposits.

We understand that not all of our examples are possible for Cameco and we also understand that not all of these examples are taking deals at this time. However, we suspect that many are open for deal making in today's market environment. The company should take a serious look at executing at least 3 needle moving deals from the various situations we mentioned within the next 18 months. If Cameco is going to build its business…it needs to strike the market when the best opportunities for value creation are presented at bargain levels. The company has the tools at its disposal to shock the market while building its legacy and continuing to be one of the most dominate businesses in the industry. Tim, we suggest you use these tools now to leverage the market and setup a better future for Cameco as a company and its shareholders. What you do at the helm of one of the largest uranium industry leaders during these times will impact how Cameco performs during the next cycle. We hope you take advantage.

We appreciate you taking the time to read our commentary and considering our recommendations. If this letter is worthy, please do pass it along to your contacts in the industry. We look forward to your comments and further value implementation at Cameco.

Thank you and take care Sir,

SmithWeekly Research



Andrew Weekly
Founder & Lead Research

Cc, via Email: Sean Quinn, Senior Vice-President, Chief Legal Officer and Corporate Secretary, with instructions to deliver to Mr. Gitzel.

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