



Commodity Investments: Top Canadian Mining Stock Set to Benefit

Description

In 2020, the world experienced [unprecedented and challenging times](#) due to the impact of the COVID-19 pandemic. **Cameco** ([NYSE:CCJ](#))([TSX:CCO](#)) was in a tough spot due to the reduction in global uranium demand. Consistent with Cameco's values, the health and safety of the company's workers in Canadian communities was the company's priority in 2020.

Proactively implementation of measures to ensure a safe working environment

Following the precautions and restrictions enacted by all levels of government where Cameco operates and considering the unique circumstances at each operating site, Cameco appears to have proactively implemented a number of measures and made a number of decisions to ensure a [safe working environment](#) for all company workers and to help slow down the spread of the virus.

Safety protocols

In addition to all of the safety protocols Cameco put in place, the company suspended production at the Cigar Lake mine, twice. The first suspension ran approximately five months from late March through the end of August. The second suspension was announced in mid-December and continues into 2021. Cameco also suspended production at the Port Hope UF6 conversion plant and at the Blind River refinery in April for approximately four weeks.

Delivering essential supplies to residents of remote northern communities

In the midst of the pandemic, Cameco withdrew the company's 2020 outlook but continued to pay all employees. Cameco set up and awarded COVID-19 relief funds totaling \$1.25 million to support the company's northern Saskatchewan and Ontario communities impacted by the virus. Cameco also

delivered 1,200 care packages containing essential supplies that residents of remote northern communities were having difficulty obtaining and provided significant numbers of personal protective equipment such as masks, gloves and hand sanitizer to these same communities.

Cameco also provided personal protective equipment (PPE) to Port Hope and Blind River hospitals and police services in Ontario.

Executing on all strategic fronts including operational, marketing and financial

Through all of the disruptions to Cameco's business, the company continued to do what it said it would do, executing on all strategic fronts including operational, marketing and financial. Demand for Cameco's products remained strong and it delivered 30.6 million pounds of uranium to the company's customers. Cameco generated \$57 million in cash from operations, with higher average realized prices in the company's uranium and fuel services segments than in 2019.

Effectively managing risk

However, as a result of the precautionary production suspensions at Cameco's operations due to the COVID-19 pandemic, the company produced just five million pounds in the company's uranium segment, well below the company's committed sales. To manage risk, Cameco purchased 11.5 million pounds more uranium than the top end of the company's fiscal 2020 outlook at an average annual cost of \$40.41 per pound, totalling about \$465 million.

Well-positioned to benefit from the rise in uranium demand

This compared to the Cigar Lake expected life-of-mine cash operating costs of between \$15 to \$16 per pound. Additionally, due to the temporary suspensions, Cameco incurred \$55 million more in care and maintenance costs than those it had planned for. Despite these challenges, Cameco appears well-positioned to benefit from the rise in uranium demand, globally.

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