UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

ANNUAL REPORT PURSUANT TO SECTION 13(a) or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010 **Commission file number: 1-14228**

CAMECO CORPORATION

(Exact name of Registrant as specified in its charter)

CANADA
(Province or other jurisdiction of incorporation or organization)

1090
(Primary Standard Industrial Classification Code Number)

98-0113090
(I.R.S. Employer Identification)

2121 – 11th Street West, Saskatoon, Saskatchewan, Canada, S7M 1J3, Telephone: (306) 956-6200
(Address and telephone number of Registrant's principal executive offices)

James Dobchuk, Cameco Inc., One Southwest Crossing, Suite 210, 11095 Viking Drive
Eden Prairie, Minnesota, USA, 55344, Telephone: (952) 941-2470
(Name, address, (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class: **Common Shares, no par value**

Name of Exchange where Securities are listed: **New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Information filed with this Form:

þ Annual Information Form þ Audited annual financial statements

Number of outstanding shares of each of the issuer's classes of
capital or common stock as of the close of the period covered by the annual report:

394,351,043 Common Shares outstanding as of December 31, 2010

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

o Yes þ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

o Yes o No

Certain statements in this Form 40-F constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. In Exhibit 99.1 see "Caution Regarding Forward-Looking Information and Statements".

Certifications and Disclosure Regarding Controls and Procedures.

(a) **Certifications regarding controls and procedures**. See Exhibits 99.9 and 99.10.

(b) **Evaluation of disclosure controls and procedures**. As of the end of the period covered by this report, an evaluation of the effectiveness of Cameco Corporation's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act")), was carried out by Cameco Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based on that evaluation, the CEO and CFO have concluded that as of such date Cameco Corporation's disclosure controls and procedures are effective to provide a reasonable level of assurance that information required to be disclosed by Cameco Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in United States Securities and Exchange Commission (the "Commission") rules and forms.

It should be noted that while the CEO and CFO believe that Cameco Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect the disclosure controls and procedures or internal control over financial reporting to be capable of preventing all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) **Management's annual report on internal control over financial reporting**. Management, including Cameco Corporation's CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) for Cameco Corporation. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Cameco Corporation's internal control over financial reporting was effective as of December 31, 2010.

(d) **Attestation report of the registered public accounting firm**. The effectiveness of Cameco Corporation's internal control over financial reporting as of December 31, 2010 was audited by KPMG LLP, an independent registered public accounting firm, as stated in their report in Exhibit 99.6 — Report of Independent Registered Public Accounting Firm.

(e) **Changes in internal control over financial reporting**. During the fiscal year ended December 31, 2010, there were no changes in Cameco Corporation's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Cameco Corporation's internal control over financial reporting.

Audit Committee Financial Expert. Cameco Corporation's board of directors has determined that an audit committee financial expert serves on its audit committee. The audit committee financial expert is John H. Clappison. Mr. Clappison is an "independent" director as such term is used in the rules of the New York Stock Exchange (the "NYSE"). Information concerning the relevant experience of Mr. Clappison is included in his biographical information contained in Cameco Corporation's Annual Information Form in Exhibit 99.1. The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any

duties, obligations or liability on such person that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation, or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

Code of Ethics. Cameco Corporation's code of conduct and ethics (the "Code") is applicable to all directors, officers and employees of Cameco Corporation, including the CEO and CFO. The Code, as well as Cameco Corporation's corporate governance practices and mandates of the board of directors and its committees, and position descriptions for the chief executive officer and the non-executive chair, can be found on Cameco Corporation's website at www.cameco.com under "Responsibility - Governance" and are also available in print to any shareholder upon request. During the most recently completed fiscal year, the Code was amended to add specific additional provisions addressing: (i) compliance with governmental lobbying regulations; (ii) compliance with regulatory restrictions on importing and exporting uranium; (iii) conflicts of interest between employed family members; (iv) conflicts of interest concerning Cameco Corporation's pension plan; and (v) the identification and prevention of fraud. The Code's confidentiality provisions were also amended to address principles contained in the *Personal Information and Protection of Electronic Documents Act* (Canada). The Amendments also expand the group of employees required to certify their compliance annually. See Exhibit 99.21 for the full text of the Code, as amended. Since the adoption of the Code, there have not been any waivers, including implied waivers, from any provision of the Code.

Principal Accountant Fees and Services. See Exhibit 99.4.

Off-Balance Sheet Arrangements. In the normal course of operations, Cameco Corporation enters into certain transactions that are not required to be recorded on its balance sheet. These activities include the issuing of financial assurances and long-term product purchase contracts. These arrangements are disclosed in the following sections of Exhibit 99.3 — 2010 Management's Discussion and Analysis and the notes for Exhibit No 99.2 — 2010 Consolidated Audited Financial Statements:

(a) **Financial assurances**. In the 2010 Management's Discussion and Analysis, see the disclosure at "Off-balance sheet arrangements" (pages 40-41). In the 2010 Consolidated Audited Financial Statements, see the disclosure at notes 11 and 25 of the financial statements.

(b) **Long-term product purchase contracts**. In the 2010 Management's Discussion and Analysis, see the disclosure at "Off-balance sheet arrangements" (pages 40-41). In the 2010 Consolidated Audited Financial Statements, see the disclosure at note 25 of the financial statements.

Tabular Disclosure of Contractual Obligations. See Exhibit 99.5.

Identification of the Audit Committee. Cameco Corporation has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Cameco Corporation's audit committee is comprised of: John H. Clappison (chair), Nancy E. Hopkins, Oyvind Hushovd, J.W. George Ivany and A. Neil McMillan.

Audited Annual Financial Statements. Cameco Corporation's Consolidated Audited Financial Statements as at December 31, 2010 and 2009, including the related report of the independent registered public accounting firm, is included in Exhibit 99.7 — Report of Independent Registered Public Accounting Firm — Public Company Accounting Oversight Board (United Standards). See Exhibit 99.7 — Reconciliation to United States GAAP for a reconciliation of the differences between Canadian and U.S. generally accepted accounting principles.

Disclosure Pursuant to the Requirements of the New York Stock Exchange.

(a) **Corporate governance practices**. Disclosure of the significant ways in which Cameco Corporation's corporate governance practices differ from those required for U.S. companies under the NYSE listing standards can be found on Cameco Corporation's website at www.cameco.com under "Responsibility — Governance".

(b) **Presiding director at meetings of non-management directors**. Cameco Corporation schedules regular director sessions in which Cameco Corporation's "non-management directors" (as that term is defined in the rules of the NYSE) meet without management participation. Mr. Victor J. Zaleschuk, as non-executive chair of Cameco Corporation, serves as the presiding director (the "Presiding Director") at such sessions. Each of Cameco Corporation's non-management directors is "independent" as such term is used in the rules of the NYSE with the exception of Donald H. F. Deranger. Cameco Corporation's criteria for director independence are set out as Appendix "A" to its board mandate, which can be found on Cameco Corporation's website at www.cameco.com under "Responsibility — Governance".

(c) **Communication with non-management directors**. Shareholders may send communications to Cameco Corporation's Presiding Director or non-management directors by mailing (by regular mail or other means of delivery) to the corporate head office at 2121-11th Street West, Saskatoon, Saskatchewan, Canada, S7M 1J3 a sealed envelope marked "Private and Strictly Confidential-Attention: Chair of the Board of Directors of Cameco Corporation". Any such envelope will be delivered unopened to the Presiding Director for appropriate action. The status of all outstanding concerns addressed to the Presiding Director will be reported to the board of directors as appropriate.

(d) **Corporate governance guidelines**. According to Section 303A.09 of the NYSE Listed Company Manual, a listed company must adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines and the charters of the listed company's most important committees of the board of directors are required to be posted on the listed company's website and be available in print to any shareholder upon request. Cameco Corporation operates under corporate governance guidelines that are consistent with the requirements of Section 303A.09 of the NYSE Listed Company Manual. Cameco Corporation's corporate governance guidelines and the charters of its most important committees of the board of directors can be found at Cameco Corporation's website at www.cameco.com under "Responsibility — Governance" and are available in print to any shareholder who requests them.

(e) **Independent directors**. The names of Cameco Corporation's non-management directors are: John H. Clappison; Joe F. Colvin; James R. Curtiss; Donald H.F. Deranger; James K. Gowans; Nancy E. Hopkins; Oyvind Hushovd; J.W. George Ivany; A. Anne McLellan; A. Neil McMillan; and Victor J. Zaleschuk. Each of the non-management directors is "independent", as such term is used in the rules of the NYSE with the exception of Donald H.F. Deranger.

(f) **Audit committee**. John Clappison, who is the chair of Cameco Corporation's audit committee, is a member of the audit committees of three other publicly traded companies. The board of directors has determined that such simultaneous service will not impair the ability of Mr. Clappison to effectively serve on Cameco Corporation's audit committee.

EXHIBIT INDEX

Exhibit No.	Description
99.1	2010 Annual Information Form
99.2	2010 Consolidated Audited Financial Statements
99.3	2010 Management's Discussion and Analysis
99.4	Principal Accountant Fees and Services
99.5	Tabular Disclosure of Contractual Obligations
99.6	Report of Independent Registered Public Accounting Firm — Internal Control Over Financial Reporting
99.7	Report of Independent Registered Public Accounting Firm — Public Company Accounting Oversight Board (United States) Standards and Reconciliation to United States GAAP
99.8	Consent of Independent Registered Public Accounting Firm
99.9	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended
99.10	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended
99.11	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.12	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.13	Consent of Alain G. Mainville, P. Geo.
99.14	Consent of Charles Foldenauer, P. Eng.

Exhibit No.	Description
99.15	Consent of Grant J. H. Goddard, P. Eng.
99.16	Consent of Lorne Schwartz, P. Eng.
99.17	Consent of C. Scott Bishop, P. Eng.
99.18	Consent of Gregory M. Murdock, P. Eng.
99.19	Consent of David Bronkhorst, P. Eng.
99.20	Consent of Leslie (Les) D. Yesnik, P. Eng.
99.21	Code of Conduct and Ethics (incorporated by reference to Cameco Corporation's report on Form 6-K (Commission File No. 1-14228) dated January 20, 2011).

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

Cameco Corporation undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

Cameco Corporation has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of Cameco Corporation shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the relevant registration statement.

SIGNATURES

Pursuant to the requirements of the Exchange Act, Cameco Corporation certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

DATED this 16th day of February, 2011.

CAMECO CORPORATION

By: /s/ *O. Kim Goheen*
Name: O. Kim Goheen
Title: Senior Vice-President and
Chief Financial Officer

EXHIBIT 99.1

Cameco Corporation

2010 Annual Information Form

February 16, 2011



Cameco Corporation

2010 Annual information form

February 16, 2011

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Important information about this document

This annual information form (AIF) provides important information about Cameco Corporation. It describes our history, our markets, our operations and development projects, our mineral reserves and resources, sustainability, the regulatory environment, the risks we face in our business and the market for our shares, among other things.

It also incorporates by reference:

- our management's discussion and analysis (MD&A) for the year ended December 31, 2010 (2010 MD&A), which is available on SEDAR (sedar.com) and on EDGAR (sec.gov) as an exhibit to our Form 40-F
- our audited consolidated financial statements for the year ended December 31, 2010 (2010 financial statements) which is also available on SEDAR and on EDGAR as an exhibit to our Form 40-F.

We have prepared this document to meet the requirements of Canadian securities laws, which are different from what US securities laws require.

Throughout this document, the terms *we, us, our, the company* and *Cameco* mean Cameco Corporation and its subsidiaries.

Reporting currency and financial information

Unless we have specified otherwise, all dollar amounts are in Canadian dollars. Any references to $(US) mean United States (US) dollars.

We have presented financial information in this AIF according to Canadian generally accepted accounting principles (Canadian GAAP). We explain any differences between Canadian GAAP and US generally accepted accounting principles (US GAAP) that apply to us in our Form 40-F, which we file with the US Securities and Exchange Commission (SEC). We also prepare a reconciliation of our annual financial statements to US GAAP, which is filed with securities regulatory authorities in Canada on SEDAR and in the US on EDGAR.

Caution about forward-looking information

Our AIF and the documents incorporated by reference include statements and information about our expectations for the future. When we discuss our strategy, plans and 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 US securities laws. We refer to them in this AIF as forward-looking information.

Key things to understand about the forward-looking information in this AIF:

- It typically includes words and phrases about the future, such as *believe*, *estimate*, *anticipate*, *expect*, *plan*, *intend*, *predict*, *goal*, *target*, *project*, *potential* and *strategy* (see examples on page 2).
- It is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, because of the risks associated with our business. We list a number of these material risks below. We recommend you also review other parts of this document, including *Risks that can affect our business* starting on page 92, and our 2010 MD&A, which include a discussion of other material risks that could cause actual results to differ from current expectations.

Forward-looking information is designed to help you understand management's current views of our near and longer term prospects. It may not be appropriate for other purposes. We will not necessarily update this forward-looking information unless we are required to by securities laws.

Examples of forward-looking information in this AIF

- our expectations about future worldwide uranium supply and demand
- production at our uranium operations in 2011 and our target for doubling annual uranium production to 40 million pounds by 2018
- our ability to maintain expected annual production at McArthur River and Key Lake
- our mid-2013 target for initial production from Cigar Lake, the expected benefits from our surface freeze strategy and our 2011 Cigar Lake plans
- our expectation that Inkai will receive all the necessary approvals and permits to meet its 2011 and future annual production targets
- forecasts relating to mining, development and other activities at our uranium operations
- future production at our fuel services operations
- the likely terms and volumes to be covered by long-term delivery contracts that we enter into in 2011 and future years
- future royalty and tax payments and rates
- our mineral reserve and resource estimates

Material risks

- actual sales volumes or realized prices for any of our products or services are lower than we expect for any reason, including changes in market prices or loss of market share to a competitor
- we are adversely affected by changes in foreign currency exchange rates, interest rates or tax rates
- production costs are higher than planned, or necessary supplies are not available, or not available on commercially reasonable terms
- our estimates of production, purchases, costs, decommissioning or reclamation expenses, or our tax expense estimates, prove to be inaccurate
- we are unable to enforce our legal rights under our existing agreements, permits or licences, or are subject to litigation or arbitration that has an adverse outcome
- there are defects in, or challenges to, title to our properties
- our mineral reserve and resource estimates are inaccurate, or we face unexpected or challenging geological, hydrological or mining conditions
- we are affected by environmental, safety and regulatory risks, including increased regulatory burdens or delays
- we cannot obtain or maintain necessary permits or approvals from government authorities
- we are affected by political risks in a developing country where we operate
- we are affected by terrorism, sabotage, blockades, accident or a deterioration in political support for, or demand for, nuclear energy
- there are changes to government regulations or policies, including tax and trade laws and policies
- our uranium and conversion suppliers fail to fulfill delivery commitments
- delay or lack of success in remediating and developing Cigar Lake
- 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 customers' facilities, the unavailability of reagents, equipment, operating parts and supplies critical to production, lack of tailings capacity, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave-ins, tailings dam failures, or other development and operating risks

Material assumptions

- sales and purchase volumes and prices for uranium, fuel services and electricity
- expected production costs
- expected spot prices and realized prices for uranium
- tax rates, foreign currency exchange rates and interest rates
- decommissioning and reclamation expenses
- our mineral reserve and resource estimates
- geological, hydrological and other conditions at our mines
- our Cigar Lake remediation and development plans succeed
- our ability to continue to supply our products and services in the expected quantities and at the expected times
- our ability to comply with current and future environmental, safety and other regulatory requirements, and to obtain and maintain required regulatory approvals
- our operations are not significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, natural disasters, 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, tailings dam failures, lack of tailings capacity, or other development or operating risks

About Cameco

Our head office is in Saskatoon, Saskatchewan. We are one of the world's largest uranium producers, with uranium assets on three continents. Nuclear energy plants around the world use our uranium products to generate one of the cleanest sources of electricity available today.

Vision and strategy

Our vision is to be a dominant nuclear energy company producing uranium fuel and generating clean electricity. Our goal is to be the supplier, partner, investment and employer of choice in the nuclear industry.

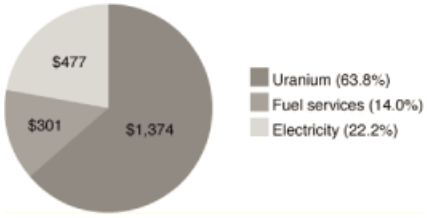
We are focusing our growth strategy on our uranium segment, and plan to double our annual uranium production to 40 million pounds by 2018 to meet the world's rising demand for uranium. You can find more information about our growth strategy in our 2010 MD&A.

Cameco Corporation
2121 — 11th Street West,
Saskatoon, Saskatchewan
Canada S7M 1J3
Telephone: 306.956.6200.

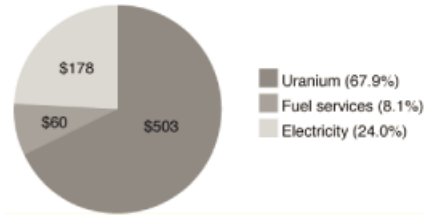
This is our head office, registered office and principal place of business.

We are publicly listed on the Toronto and New York stock exchanges, and had a total of 3,300 employees at December 31, 2010, not including Inkai.

2010 Revenue by segment
($ millions)



2010 Gross profit by segment
($ millions)



Uranium

We are one of the world's largest uranium producers, and in 2010 accounted for about 16% of the world's production. We have controlling ownership of the world's largest high-grade reserves, with ore grades up to 100 times the world average, and low-cost operations.

Product

- uranium concentrates (U_3O_8)

Mineral reserves and resources

Mineral reserves

- approximately 475 million pounds proven and probable

Mineral resources

- approximately 140 million pounds measured and indicated
- approximately 355 million pounds inferred

Global exploration

- focused on four continents

Operating properties

- McArthur River and Key Lake, Saskatchewan
- Rabbit Lake, Saskatchewan
- Smith Ranch-Highland, Wyoming
- Crow Butte, Nebraska
- Inkai, Kazakhstan

Development project

- Cigar Lake, Saskatchewan

Projects under evaluation

- Inkai blocks 1 and 2 production increase, Kazakhstan
- Inkai block 3, Kazakhstan
- McArthur River extension, Saskatchewan
- Kintyre, Australia
- Millennium, Saskatchewan

Fuel services

We are an integrated uranium fuel supplier, offering refining, conversion and fuel manufacturing services.

Products

- uranium trioxide (UO_3)
- uranium hexafluoride (UF_6)
  (control about 35% of western world capacity)
- uranium dioxide (UO_2)
  (the world's only commercial producer of natural UO_2)
- fuel bundles, reactor components and monitoring equipment used by Candu reactors

Operations

- Blind River refinery, Ontario
  (refines U_3O_8 to UO_3)
- Port Hope conversion facility, Ontario
  (converts UO_3 to UF_6 or UO_2)
- Cameco Fuel Manufacturing Inc. (CFM), Ontario
  (manufactures fuel bundles and reactor components)
- a toll conversion agreement with
  Springfields Fuels Ltd. (SFL), Lancashire, United Kingdom (UK) (to convert UO_3 to UF_6) — expires in 2016

We also have a 24% interest in GE-Hitachi Global Laser Enrichment LLC (GLE) in North Carolina, with General Electric (51%) and Hitachi Ltd. (25%). GLE is testing a third-generation technology that, if successful, will use lasers to commercially enrich uranium.

Electricity

We generate clean electricity through our 31.6% interest in the Bruce Power Limited Partnership (BPLP), which operates four nuclear reactors at the Bruce B generating station in southern Ontario.

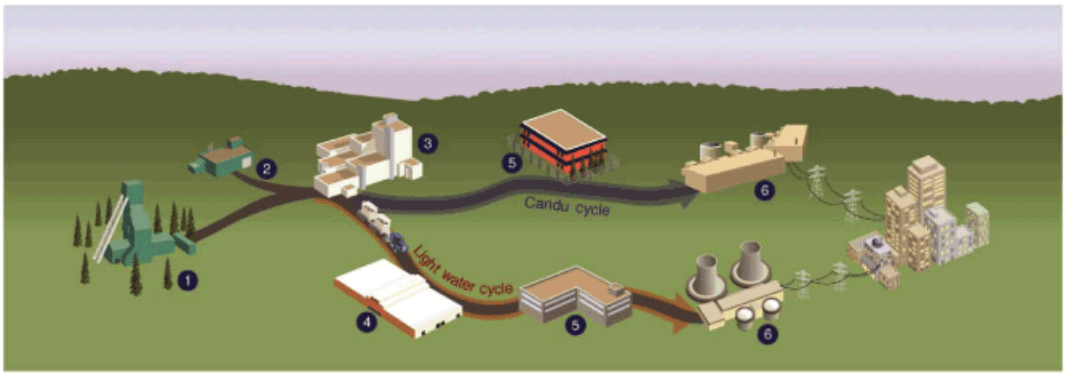
Capacity

- 3,260 megawatts (MW) (100% basis)
  (about 15% of Ontario's electricity)

We also have agreements to manage the procurement of fuel and fuel services for BPLP, including:

- uranium concentrates
- conversion services
- fuel fabrication services

The nuclear fuel cycle



Our operations and investments span the nuclear fuel cycle, from exploration to electricity generation.

Œ **Mining**

There are three ways to mine uranium, depending on the depth of the orebody and the deposit's geological characteristics:

- *Open pit mining* is used if the ore is near the surface. The ore is usually mined using drilling and blasting.
- *Underground mining* is used if the ore is too deep to make open pit mining economical. Tunnels and shafts provide access to the ore.
- *In situ recovery (ISR)* does not require large scale excavation. Instead, holes are drilled into the ore and a solution is used to dissolve the uranium. The solution is pumped to the surface where the uranium is recovered.

Œ **Milling**

Ore from open pit and underground mines is processed to extract the uranium and package it as a powder typically referred to as *uranium concentrate* (U_3O_8) or *yellowcake*. The leftover processed rock and other solid waste (*tailings*) is placed in an engineered tailings facility.

Refining

Refining removes the impurities from the uranium concentrate and changes its chemical form to *uranium trioxide* (UO_3).

Ž **Conversion**

For light water reactors, the UO_3 is converted to *uranium hexafluoride* (UF_6) gas to prepare it for the next stage of processing. For heavy water reactors like the Candu reactor, the UO_3 is converted into powdered *uranium dioxide* (UO_2).

Enrichment

Uranium is made up of two main isotopes: U-238 and U-235. Only U-235 atoms, which make up 0.7% of natural uranium, are involved in the nuclear reaction (fission).

The enrichment process increases the concentration of U-235 to between 3% and 5% by separating U-235 atoms from the U-238. Enriched UF_6 gas is then converted to powdered UO_2.

Fuel manufacturing

Natural or enriched UO_2 is pressed into pellets, which are baked at a high temperature. These are packed into zircaloy or stainless steel tubes, sealed and then assembled into fuel bundles.

‘ **Generation**

Nuclear reactors are used to generate electricity. U-235 atoms in the reactor fuel fission, creating heat that generates steam to drive turbines. The fuel bundles in the reactor need to be replaced as the U-235 atoms are depleted, typically after one or two years depending upon the reactor type. The used — or *spent* — fuel is stored or reprocessed.

Spent fuel management

The majority of spent fuel is safely stored at the reactor site. A small amount of spent fuel is reprocessed. The reprocessed fuel is used in some European and Japanese reactors.

Major developments

2008

June

- We acquire a 24% interest in GLE, a uranium enrichment development company, by providing $124 million (US) in cash and issuing a $73 million (US) promissory note. General Electric owns 51% and Hitachi Ltd owns the remaining 25% of GLE.
- We and our partners agree to a new pricing structure with Tenex under the Russian HEU commercial agreement from 2011 to 2013. The Russian and US governments subsequently approve the new pricing structure. Our share of the material affected is seven million pounds.

August

- There is a new water inflow on the 420 metre level of the Cigar Lake development project, and we suspend dewatering. Earlier in the year the area of the October 2006 water inflow is sealed.
- We (70%) and Mitsubishi Development Pty Ltd (30%) acquire the Kintyre uranium exploration project in Western Australia, from Rio Tinto, for $495.0 million (US) (our share is $346.5 million (US)).

September

- We restart the Port Hope UF_6 plant after a year-long rehabilitation program.

October

- We issue 21,205,585 common shares in connection with the redemption of our 5% $230 million unsecured convertible debentures.

November

- We suspend operation of the Port Hope UF_6 plant because of a contract dispute with our only supplier of hydrofluoric acid.

2009

February

- Our $470 million bank credit facility is increased to $500 million. We cancel the facility in the third quarter.
- We add a $100 million bank credit facility. It expires in February 2012.

March

- We issue 26,666,400 common shares for net proceeds of $441 million.

April

- We enter into an *Agreement on New Terms* with Kyrgyzaltyn JSC (Kyrgyzaltyn) and the Government of the Kyrgyz Republic that resolves all outstanding issues regarding the Kumtor Gold mine.

June

- We resume production of UF_6 at Port Hope.

September

- We issue $500 million of 5.67% unsecured debentures due in 2019.

October

- We seal the water inflow at the 420 metre level of Cigar Lake, and resume dewatering.

December

- We dispose of our entire interest in Centerra Gold Inc. (Centerra) in two steps:
  - sell 88,618,472 common shares of Centerra through a public offering for net proceeds of $871 million
  - transfer another 25,300,000 common shares of Centerra to Kyrgyzaltyn, under the April 2009 *Agreement on New Terms*
- Inkai commissions its main processing plant and starts commissioning its first satellite plant.

2010

February

- Inkai files a notice of potential commercial discovery at block 3. It has approval in principle to assess commercial viability until July 2015.
- We finished dewatering the Cigar Lake mine. By year end, we had resumed underground development in the south end of the mine.

June

- Inkai receives approval in principle to increase annual production from blocks 1 and 2 to 3.9 million pounds (100% basis).
- We agree to supply 23 million pounds of uranium concentrate to a Chinese utility under a long-term agreement to 2020.

November

- We agree to supply 29 million pounds of uranium concentrate to another Chinese utility under a long-term agreement to 2025.

How Cameco was formed

Cameco Corporation was incorporated under the *Canada Business Corporations Act* on June 19, 1987.

We were formed when two crown corporations were privatized and their assets merged:

- Saskatchewan Mining Development Corporation (uranium mining and milling operations)
- Eldorado Nuclear Limited (uranium mining, refining and conversion operations) (now Canada Eldor Inc.)

There are constraints and restrictions on ownership of Cameco shares set out in our company articles, and a related requirement to maintain offices in Saskatchewan. These are requirements of the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada), as amended, and *The Saskatchewan Mining Development Corporation Reorganization Act*, and are described on pages 113 and 114.

We have made the following amendments to our articles:

2002
- increased the maximum share ownership for individual non-residents to 15% from 5%
- increased the limit on voting rights of non-residents to 25% from 20%

2003
- allowed the board to appoint new directors between shareholder meetings as permitted by the *Canada Business Corporations Act*, subject to certain limitations
- eliminated the requirement for the chairman of the board to be ordinarily resident in the province of Saskatchewan

We have four main subsidiaries:

- Cameco Europe Ltd. (Cameco Europe), a Swiss company we have 100% ownership of through subsidiaries
- Our wholly owned subsidiaries Cameco Bruce Holdings Inc., a Canadian company, and Cameco Bruce Holdings II Inc., an Ontario company, which collectively own a 31.6% limited partnership interest in BPLP, an Ontario limited partnership
- Joint Venture Inkai Limited Liability Partnership (Inkai), a limited liability partnership in Kazakhstan, which we own a 60% interest in.

We do not have any other subsidiaries that are material, either individually or collectively.

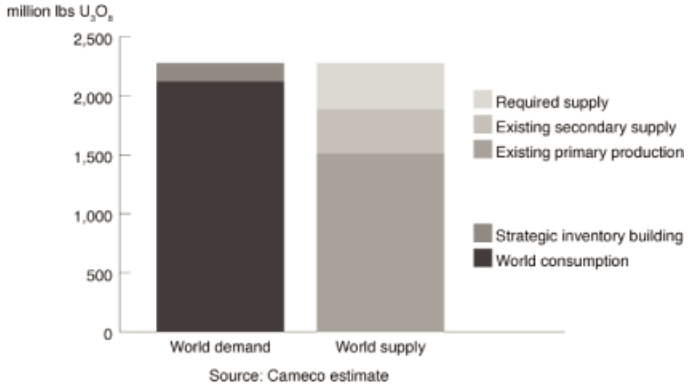
For more information

You can find more information about Cameco on SEDAR (sedar.com), EDGAR (sec.gov) and on our website (cameco.com/investors).

See our most recent management proxy circular for additional information, including how our directors and officers are compensated and any loans to them, principal holders of our securities, and securities authorized for issue under our equity compensation plans. We expect the circular for our May 2011 annual meeting of shareholders to be available in April 2011.

Our markets

World U_3O_8 supply and demand 2011-2020



Demand

The demand for U_3O_8 is directly linked to the level of electricity generated by nuclear power plants.

We forecast that world demand will be almost 2.3 billion pounds of U_3O_8 over the next 10 years. This estimate assumes utilities will build strategic inventories of about 160 million pounds of U_3O_8 to support their reactor programs.

World annual uranium fuel consumption has increased from 75 million pounds U_3O_8 in 1980 to an estimated 180 million pounds in 2010. We expect global uranium consumption to increase to about 195 million pounds in 2011. By 2020, we expect world uranium consumption to be about 230 million pounds per year, reflecting an average annual growth rate of about 2%.

The demand for UF_6 conversion services is directly linked to the level of electricity generated by light water moderated nuclear power plants.

The demand for UO_2 conversion services is linked to the level of electricity generated by heavy water moderated nuclear power plants such as Candu reactors.

We estimate world consumption of UF_6 and natural UO_2 conversion services was about 69 million kgU in 2010. Consumption in the western world accounted for 60 million kgU, and the remaining 9 million kgU was from Russia, China and Eastern Europe. We expect world consumption of UF_6 and natural UO_2 conversion services to increase by about 7% in 2011.

Western world includes Argentina, Belgium, Brazil, Bulgaria, Canada, Czech Republic, Egypt, Finland, France, Germany, Hungary, India, Iran, Japan, Mexico, Netherlands, Pakistan, Romania, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, United Kingdom, United Arab Emirates and United States.

Supply

Uranium supply sources include *primary production sources* (production from mines that are currently in commercial operation) and *secondary supply sources* (excess inventories, uranium made available from defence stockpiles and the decommissioning of nuclear weapons, re-enriched depleted uranium tails, and used reactor fuel that has been reprocessed).

To meet global demand over the next 10 years, we expect:

- 66% of global uranium supply to come from existing *primary production sources*
- 16% will come from existing *secondary supply sources*

- the remaining 18% will come from new sources of supply.

Primary production

While the uranium production industry is international in scope, there are only a small number of companies operating in relatively few countries. Barriers to entry for new competitors are high, and the lead time for new uranium production can be as long as 10 years or more, depending on the deposit type and location.

We estimate world mine production in 2010 was about 140 million pounds U_3O_8, up 6% from 132 million pounds in 2009:

- 92% of the estimated world production came from eight countries: Kazakhstan (33%), Canada (18%), Australia (11%), Namibia (8%), Niger (8%), Russia (7%), Uzbekistan (4%) and the US (3%)
- 70% of the estimated world production was marketed by five producers. We accounted for about 16% of that production (22.8 million pounds).

Secondary sources

Uranium consumption has outstripped uranium production every year since 1985.

A number of secondary sources have covered the shortfall, but most of these sources are finite and will not meet long-term needs:

- Uranium from dismantled Russian nuclear weapons is the largest current source of secondary supply. Deliveries from this source should end in 2013, when the Russian HEU commercial agreement expires.
- The US government makes some of its inventories available to the market, although in much smaller quantities.
- Utilities, mostly in Europe and some in Japan and Russia, use reprocessed uranium and plutonium from used reactor fuel.
- Re-enriched depleted uranium tails are also generated using excess enrichment capacity.

Uranium from nuclear disarmament

In February 1993, the United States and Russia signed an agreement to manage the sale of highly enriched uranium (HEU) derived from dismantling Russian nuclear weapons (Russian HEU agreement). The agreement allows Russia to dilute 500 tonnes of HEU derived from dismantled weapons, and deliver it to the US as low enriched uranium suitable for use in nuclear power plants (disarmament LEU). Russia plans to dilute about 30 tonnes of HEU per year (equivalent to about 24 million pounds U_3O_8 per year) over 20 years, until the entire 500 tonnes has been delivered.

This is equivalent to a total of about 400 million pounds of natural uranium as U_3O_8 (disarmament uranium). About 323 million pounds of disarmament uranium had been delivered as of the end of 2010.

Russian HEU commercial agreement

In March 1999, we and other members of a consortium of western companies signed the Russian HEU commercial agreement with Tenex, the commercial arm of the Russian Ministry for Atomic Energy. Under the agreement, the western companies were granted options to purchase a majority of the disarmament uranium. We exercised our options and have been receiving deliveries of disarmament uranium. We will receive the remaining 23 million pounds of disarmament uranium to be delivered to us under the agreement from 2011 to 2013.

Trade restraints and policies

The sale of disarmament uranium into the US market is regulated by the *USEC Privatization Act*, which imposes an annual quota on the sale of disarmament uranium. The 2011 quota is 20 million pounds, which is the maximum level and the same level as last year.

The US had suspension agreements with some countries that limited access to the US market, as part of uranium anti-dumping proceedings in the early 1990s. Only the suspension agreement with Russia is still in effect.

In February 2008, the US and Russia amended the agreement, allowing Russia to directly supply additional uranium to US utilities in very low annual amounts from 2011 to 2013. Russia can also supply uranium for initial cores in new US reactors. Once the Russian HEU commercial agreement ends, the annual amount increases to 13 million pounds U_3O_8 equivalent from 2014 to 2020.

The US restrictions do not affect the sale of Russian uranium to other countries. About 75% of world uranium demand is from utilities in countries that are not affected by the US restrictions. Utilities in some countries, however, adopt policies that limit the amount of Russian uranium they will buy. The Euratom Supply Agency in Europe must approve all uranium related contracts for members of the EU, and limits the use of nuclear fuel supplies from any one source to maintain security of supply (historically this was an informal level of about 20%).

Uranium from US inventories

We estimate that the US has an inventory of approximately 150 million pounds U_3O_8 equivalent of surplus uranium. We expect this uranium will be available to the market over the next 25 years.

In March 2008, the US Department of Energy issued a policy statement and a general framework for managing this inventory, including the need to dispose of it without disrupting the commercial markets. In December of that year, it released the *Excess Uranium Inventory Management Plan,* which stated that it will dispose of the surplus annually, in amounts of 10% or less of annual US nuclear fuel requirements. It can exceed this limit in certain situations, however (during initial core loads for new reactors, for example). It indicated less than 3 million pounds U_3O_8 would enter the market in 2009, and that there would be a gradual ramp up to 5 million pounds U_3O_8 by 2013. It also planned to make another 20 million pounds available for initial cores for new US reactors beginning in 2010.

In 2010, the US Department of Energy made a total of 2.4 million pounds U_3O_8 equivalent available to USEC, which was sold in the spot market, in return for accelerated cleanup work at USEC's gaseous diffusion plant in Kentucky. USEC, an American company, supplies services to enrich uranium at this plant.

Conversion services

We are one of three commercial suppliers of UF_6 conversion in the western world and control about 35% of western capacity. We are the only commercial supplier of conversion for natural UO_2 customers in the western world.

Marketing

We sell uranium and fuel services (as uranium concentrates, UO_2, UF_6, conversion services or fuel fabrication) to nuclear utilities in Belgium, Canada, China, Finland, France, Germany, Japan, South Korea, Spain, Sweden, Taiwan and the US. We are the only commercial supplier of UO_2 to Candu reactors operated in Canada.

In June 2010, the government of Canada signed a civil nuclear co-operation agreement with India to export nuclear technology, equipment and uranium to support India's growing nuclear energy industry. Canada is the eighth nation to sign such an agreement with India since the Nuclear Suppliers Group lifted a 34-year ban on nuclear co-operation with India in 2008. Licensing arrangements for these exports still have to be negotiated by these two governments and discussions are ongoing.

We are in discussions with India to provide uranium for their growing reactor program.

In 2010, we signed two long-term agreements with Chinese utilities to supply more than 50 million pounds of uranium. While China and Canada have a bilateral agreement in place, the governments continue to negotiate the administrative arrangements required for delivery of Canadian U_3O_8.

Uranium is not traded in meaningful quantities on a commodity exchange. Utilities buy the majority of their uranium and fuel services products under long-term contracts with suppliers, and meet the rest of their needs on the spot market.

Our sales commitments

In 2010, 44% of our U_3O_8 sales were to five customers.

We currently have commitments to supply more than 300 million pounds of U_3O_8 under long-term contracts with 53 customers worldwide. Our five largest customers account for 45% of these commitments, and 39% of our committed sales volume is attributed to purchasers in the Americas (US, Canada and Latin America), 35% in Asia and 26% in Europe. We are heavily committed under long-term uranium contracts until 2016, so we are becoming increasingly selective when considering new commitments.

Our purchase commitments

We participate in the uranium spot market from time to time, including making spot purchases to take advantage of opportunities to place the material into higher priced contracts. We determine the appropriate extent of our spot market activity based on the current spot price and various factors relating to our business. In addition to being a source of profit, this activity provides insight into the underlying market fundamentals and supports our sales activities. We have also bought uranium under long-term contracts, and may do so again in the future. At December 31, 2010, we had firm commitments to buy 27 million pounds of uranium equivalent from 2011 to 2014. 23 of the 27 million pounds will come from deliveries under the Russian HEU commercial agreement, which runs through 2013.

Our contracting strategy

Our extensive portfolio of long-term sales contracts — and the long-term, trusting relationships we have with our customers — are core strengths for us.

Because we sell large volumes of uranium every year, our net earnings and operating cash flows are affected by changes in the uranium price. Our contracting strategy is to secure a solid base of earnings and cash flow by maintaining a balanced contract portfolio that maximizes our realized price. Market prices are influenced by the fundamentals of supply and demand, geopolitical events, disruptions in planned supply and other market factors. Contract terms usually reflect market conditions at the time the contract is accepted, with deliveries beginning several years in the future.

Our current uranium contracting strategy is to sign contracts with terms of 10 years or more that include mechanisms to protect us when market prices decline, and allow us to benefit when market prices go up. Our portfolio includes a mix of fixed-price and market-related contracts, which we target at a 40:60 ratio. Fixed-price contracts are typically based on the industry long-term price indicator at the time the contract is accepted, adjusted for inflation to the time of delivery. Market-related contracts may be based on either the spot price or the long-term price as quoted at the time of delivery, and often include floor prices adjusted for inflation and some include ceiling prices also adjusted for inflation.

This is a balanced approach that reduces the volatility of our future earnings and cash flow, and that we believe delivers the best value to shareholders over the long term. It is also consistent with the contracting strategy of our customers. This strategy has allowed us to add increasingly favourable contracts to our portfolio that will enable us to benefit from any increases in market prices in the future.

The majority of our contracts include a supply interruption clause that gives us the right to reduce, on a pro rata basis, defer or cancel deliveries if there is a shortfall in planned production or in deliveries under the Russian HEU commercial agreement. We have deferred a portion of the 2011 deliveries for five to seven years.

Our older sales contracts allow the purchaser to adjust the amount of uranium to be delivered from year to year within a specified range. Our newer contracts generally do not offer this.

Volumes and pricing

Spot market volume in 2010 was slightly below the record set in 2009, decreasing to an estimated 50 million pounds of U_3O_8 and accounting for 28% of annual consumption (versus about 54 million pounds of U_3O_8 in 2009). Long-term contracting in 2010 was about 250 million pounds of U_3O_8, or 67% higher than 2009.

The industry average spot price (TradeTech and Ux Consulting (UxC)) on December 31, 2010 was $62.25 (US) per pound U_3O_8, or 40% higher than the December 31, 2009 average of $44.50 (US).

The industry average long-term price (TradeTech and UxC) was $66.00 (US) per pound U_3O_8 on December 31, 2010, or 8% higher than the December 31, 2009 average of $61.00 (US).

Fuel services

The majority of our fuel services contracts are at a fixed price per kgU, adjusted for inflation, and reflect the market at the time the contract is accepted.

For conversion services, we compete with two other commercial suppliers of conversion services in the western world, and with the secondary supplies described above.

We have a similar marketing strategy for UF_6 conversion services. We sell our conversion services to utilities in the Americas, Europe and Asia and primarily through long-term contracts. We currently have UF_6 conversion services commitments of more than 85 million kilograms of uranium under long-term contracts with 46 customers worldwide. Our five largest customers account for 37% of these commitments, and of our committed UF_6 conversion services volume, 54% is attributed to purchasers in the Americas, 24% in Asia and 22% in Europe.

Electricity business

BPLP leases and operates four Candu nuclear reactors that have the capacity to provide about 15% of Ontario's electricity.

It receives a reliable stream of revenue from financial contracts and sells electricity on the open spot market. Spot market prices are determined by bids from suppliers and buyers that reflect changes in supply and demand by the hour. In 2010, 42% of its output was sold under financial contracts.

BPLP also trades electricity and related contracts as part of its risk management activities to hedge output against exposure to low spot prices.

Demand for electricity in Ontario has been eroding. Wholesale demand has declined significantly since 2004, however, Ontario demand in 2010 was up by 2% or 3 TWh compared to 2009. While this increase signals a positive change in the economy, we believe it will take some time for demand to return to prior levels.

BPLP has an agreement with the Ontario Power Authority (OPA) that supports output from the B reactors with a floor price (currently $48.96/MWh) adjusted annually for inflation. The floor price mechanism and any related payments to BPLP for the output from each B reactor will expire on a date specified in the agreement. The expiry dates are December 31, 2015 for unit B6, December 31, 2016 for unit B5, December 31, 2017 for unit B7 and December 31, 2019 for unit B8. Revenue is recognized monthly, based on the positive difference between the floor price and the spot price. BPLP does not have to repay the revenue from the agreement with the OPA, if the floor price for the particular year exceeds the average spot price for that year. The agreement also provides for payment if the Independent Electricity System Operator reduces BPLP's generation because Ontario baseload generation is higher than required. The amount of the reduction is considered "deemed generation", and BPLP is paid either the spot price or the floor price, whichever is higher.

Sales to BPLP and Bruce Power A Limited Partnership (BALP) are a substantial portion of our fuel manufacturing business and an important part of our UO_2 business.

Nuclear power stations have higher operational, maintenance, waste and decommissioning costs than other methods of generating electricity. They also require more initial capital for development because of the complexity of the technical processes that underlie nuclear power generation, and the additional design, security and safety precautions to protect the public from potential risks associated with nuclear operations.

The relatively low cost of nuclear fuel compared to fossil fuel offsets these costs. In general, BPLP's nuclear stations have a lower overall operating cost per megawatt-hour of electricity produced than facilities that use fossil fuels.

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Uranium production

See page 56 of our 2010 MD&A for our forecast uranium production from 2011 to 2015.

Cameco's share (million lbs U_3O_8)	**2008**	**2009**	**2010**
McArthur River/Key Lake	11.6	13.3	13.9
Rabbit Lake	3.6	3.8	3.8
Smith Ranch-Highland	1.2	1.8	1.8
Crow Butte	0.6	0.8	0.7
Inkai	0.3	1.1	2.6
Total	17.3	20.8	22.8

Uranium — operating properties



McArthur River/Key Lake

McArthur River is the world's largest high-grade uranium mine, and Key Lake is the largest uranium mill in the world.

Ore grades at the McArthur River mine are 100 times the world average, which means it can produce more than 18 million pounds per year by mining only 150 to 200 tonnes of ore per day. We are the operator.

McArthur River is one of our three material uranium properties.

Location	Saskatchewan, Canada
Ownership	69.805% - McArthur River 83.33% - Key Lake
End product	U_3O_8
ISO certification	ISO 14001 certified
Deposit type	underground
Estimated mineral reserves (our share)	234.2 million pounds (proven and probable) average grade U_3O_8 – 15.24%[1]
Estimated mineral resources (our share)	11.8 million pounds (measured and indicated) average grade U_3O_8 – 7.09% 104.8 million pounds (inferred) average grade U_3O_8 – 13.46%
Mining methods	currently: raiseboring under development: boxhole boring
Licensed capacity	mine and mill: 18.7 million pounds per year (can be exceeded – see *Production* below)
Total production 2000 to 2010 1983 to 2002	191.1 million pounds (McArthur River/Key Lake) (100% basis) 209.8 million pounds (Key Lake) (100% basis)
2010 production	13.9 million pounds (our share)
2011 forecast production	13.1 million pounds (our share)
Estimated mine life	24 years (based on current reserves)
Estimated decommissioning cost	$36.1 million - McArthur River $120.7 million - Key Lake

1 For more information on the average grade, please see *Recent activity*, below.

Business structure

McArthur River is owned by a joint venture between two companies:

- Cameco — 69.805%
- Areva — 30.195%

Key Lake is owned by a joint venture between the same two companies:

- Cameco — $83^1/_3$%
- Areva — $16^2/_3$%

History

1976
- Canadian Kelvin Resources Ltd. and Asamera Oil Corporation Ltd. form an exploration joint venture, which includes the lands that the McArthur River mine is situated on

1977
- Saskatchewan Mining Development Corporation (SMDC), one of our predecessor companies, acquires a 50% interest

1980
- McArthur River joint venture is formed
- SMDC becomes the operator
- Active surface exploration begins
- Between 1980 and 1988 SMDC reduces its interest to 43.991%

1988
- Eldorado Resources Limited merges with SMDC to form Cameco
- We become operator
- Deposit discovered by surface drilling

1988 - 1992
- Surface drilling reveals significant mineralization of potentially economic uranium grades, in a 1,700 metre zone at between 530 to 640 metres

1992
- We increase our interest to 53.991%

1993
- Underground exploration program receives government approval — program consists of shaft sinking (completed in 1994) and underground development and drilling

1995
- We increase our interest to 55.844%

1997-1998
- Federal authorities issue construction licences for McArthur River after reviewing the environmental impact statement, holding public hearings, and receiving approvals from the governments of Canada and Saskatchewan

1998
- We acquire all of the shares of Uranerz Exploration and Mining Ltd. (UEM), increasing our interest to 83.766%
- We sell half of the shares of UEM to Areva, reducing our interest to 69.805%, and increasing Areva's to 30.195%

1999
- Federal authorities issue the operating licence and provincial authorities give operating approval, and mining begins in December

2003
- Production is temporarily suspended in April because of a water inflow
- Mining resumes in July

2009
- UEM distributes equally to its shareholders:
  - its 27.922% interest in the McArthur River joint venture, giving us a 69.805% direct interest, and Areva a 30.195% direct interest
  - its $33^{1}/_{3}$% interest in the Key Lake joint venture, giving us an $83\ ^{1}/_{3}$% direct interest, and Areva a $16\ ^{2}/_{3}$% direct interest.

Technical report

This project description is based on the project's technical report: *McArthur River Operation, Northern Saskatchewan, Canada,* dated February 16, 2009 (effective December 31, 2008) except for some updates that reflect developments since the technical report was published. The report was prepared for us in compliance with NI 43-101, by or under the supervision of four Cameco *qualified persons* and one non-Cameco *qualified person*, within the meaning of NI 43-101. The following description has been prepared under the supervision of David Bronkhorst, P. Eng., Alain G. Mainville, P. Geo., Gregory M. Murdock, P. Eng., Lorne D. Schwartz, P. Eng., and Leslie D. Yesnik, P. Eng.

These people are all *qualified persons* within the meaning of NI 43-101, but are not independent of us.

All conclusions, projections and estimates in this description are based on the qualifications, assumptions and exclusions in the technical report. We recommend you read it in its entirety to fully understand the project. You can download a copy from SEDAR (sedar.com) or from EDGAR (sec.gov).

For information about uranium sales see pages 10 and 11, environmental matters see *Sustainable development* starting on page 76, and taxes see page 90.

For a description of royalties payable to the province of Saskatchewan on the sale of uranium extracted from orebodies within the province, see page 89.

About the McArthur River property

Location

Near Toby Lake in northern Saskatchewan, 620 kilometres north of Saskatoon. The mine site is one kilometre long, running north and south, and half a kilometre wide, running east and west.

Accessibility

Access to the property is by an all-weather gravel road and by air. Supplies are transported by truck from Saskatoon and elsewhere. There is a 1.6 kilometre unpaved air strip and an air terminal one kilometre east of the mine site, on the surface lease.

Saskatoon, a major population centre south of the McArthur River property, has highway and air links to the rest of North America.

Leases

Surface lease

We acquired the right to use and occupy the lands necessary to mine the deposit under a surface lease agreement with the province of Saskatchewan. The most recent agreement was signed in November 2010. It covers 1,425 hectares and has a term of 33 years.

We are required to report annually on the status of the environment, land development and progress on northern employment and business development.

Mineral lease

We have the right to mine the deposit under ML-5516, granted to us by the province of Saskatchewan. The lease covers 1,380 hectares and expires in March 2014. We have the right to renew the lease for further 10-year terms.

Mineral claims

A mineral claim gives us the right to explore for minerals and to apply for a mineral lease. There are 21 mineral claims, totalling 83,438 hectares, surrounding the deposit. We have title to all of these claims until 2017.

Climate

The climate is typical of the continental sub-arctic region of northern Saskatchewan. Summers are short and cool even though daily temperatures can sometimes reach above 30°C. The mean daily temperature for the coldest month is below -20°C, and winter daily temperatures can reach below -40°C.

Setting

The deposit is in the southeastern portion of the Athabasca basin in northern Saskatchewan, within the southwest part of the Churchill structural province of the Canadian Shield. The topography and environment are typical of the taiga forested lands in the Athabasca basin.

Geology

The crystalline basement rocks underlying the deposit are members of the Aphebian-age Wollaston Domain, metasedimentary sequence, and consist of two distinct parts:

- a hanging wall pelitic sequence of cordierite and graphite bearing pelitic and psammopelitic gneiss with minor meta-arkose and calc-silicate gneisses
- a sequence consisting of quartzite and silicified meta-arkose and rare pelitic gneisses.

These are unconformably overlain by flat lying, unmetamorphosed sandstones and conglomerates of the Helikian Athabasca Group. These sediments consist of the A, B, C and D units of the Manitou Falls Formation, and a basal conglomerate containing pebbles and cobbles of quartzite. The sandstone is over 500 metres thick in the deposit area.

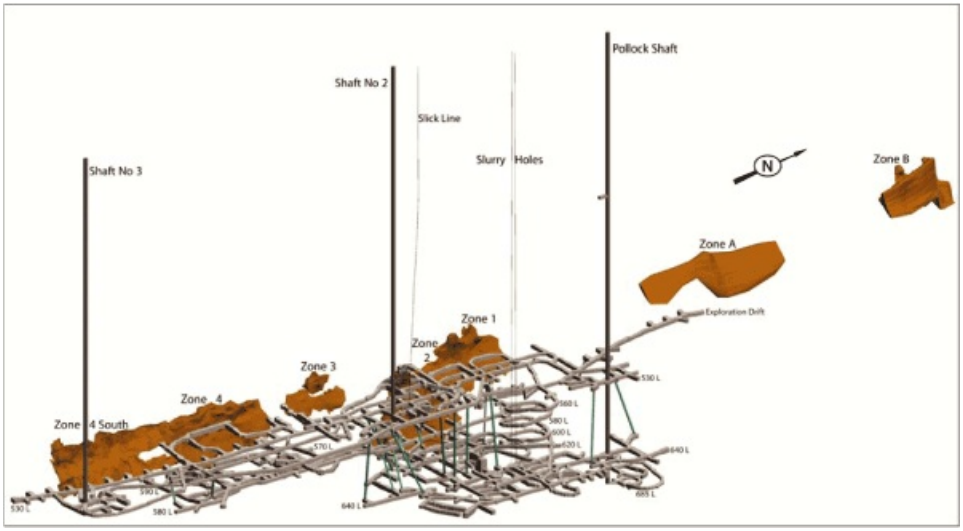
Mineralization

McArthur River's mineralization is structurally controlled by a northeast-southwest trending reverse fault (the P2 fault), which dips 40-65 degrees to the southeast. The fault has thrust a wedge of basement rock into the overlying

sandstone. There is a vertical displacement of more than 80 metres at the northeast end of the fault, which decreases to 60 metres at the southwest end.

There are four zones of delineated mineral reserves (zones 1 to 4). Zones A and B have been categorized as inferred mineral resources through surface drillholes. Parts of zones 1, 2, 3, and 4 also have mineral resources. The width of the ore varies.

Zone 2 is divided into four panels (panels 1, 2, 3 and 5). Panel 5 represents the upper portion of zone 2, overlying part of the other panels.



Five of the six mineralized zones are in sandstone and basement rock along the faulted edge of the basement wedge. Zone 2 sits in structurally disrupted basement rock in a unique area of the deposit, where a massive footwall quartzite unit lies close to the main fault zone.

Although all of the rocks at McArthur River are altered to some degree, the alteration is greatest in or near faults that are often associated with mineralization. Chloritization is common and most intense within a metre of mineralization in the pelitic hanging wall basement rocks above the P2 fault. The predominant alteration characteristic of the sandstone is pervasive silcification, which increases in intensity 375 metres below the surface, and continues to the unconformity. This brittle sandstone is strongly fractured along the path of the main fault zone, resulting in poor ground conditions and high permeability to water.

In general, the high-grade mineralization, characterized by botryoidal uraninite masses and subhedral uraninite aggregates, constitutes the earliest phase of mineralization in the deposit. Pyrite, chalcopyrite, and galena were also deposited during the initial mineralizing event. Later stage, remobilized uraninite occurs as disseminations, veinlets, and fracture coatings within chlorite breccia zones, and along the margins of silt beds in the Athabasca sandstone.

About the McArthur River mine

McArthur River is a developed mineral property with sufficient surface rights to meet future mining operation needs for the current mineral reserves.

We began construction and development of the McArthur River mine in 1997 and completed it on schedule. Mining began in December 1999 and commercial production on November 1, 2000.

Our mine production comes from zone 2 panels 1, 2, 3 and 5 and the lower area of zone 4. We started mining the lower area of zone 4 at the end of 2010.

Permits

We need three permits to operate the McArthur River mine:

- *Uranium Mine Facility Operating Licence* — renewed in 2008 and expires on October 31, 2013 (from the Canadian Nuclear Safety Commission (CNSC))
- *Approval to Operate Pollutant Control Facilities* — renewed in 2009 and expires on October 31, 2014 (from the Saskatchewan Ministry of Environment)
- *Permit to Operate Waterworks* — renewed in 2009 and expires on October 31, 2011 (from the Saskatchewan Ministry of Environment)

Infrastructure

Surface facilities are 550 metres above sea level. The site includes:

- an underground mine with three shafts:

  one to move workers, material and waste rock and for fresh air ventilation, one for mine exhaust air ventilation, and one for fresh air ventilation and an emergency exit
- waste rock stockpiles
- a minewater treatment plant and ponds
- a freshwater pump house
- a powerhouse
- electrical substations
- standby electrical generators
- maintenance and warehousing facilities
- freeze plant
- a concrete batch plant
- an administration building
- an employee residence
- an ore loadout building.

Water, power and heat

Toby Lake, which is nearby and easy to access, has enough water to satisfy all industrial and residential water requirements. The site is connected to the provincial power grid and it has standby generators in case there is an interruption in grid power.

McArthur River operates throughout the year despite cold winter conditions. During the winter, we heat the fresh air necessary to ventilate the underground workings using propane-fired burners.

Employees

Employees are recruited first from communities in the area and then from major Saskatchewan population centres, like Saskatoon.

Mining method

We use a number of innovative methods and techniques to mine the McArthur River deposit.

Ground freezing

The sandstone that overlays the deposit and basement rocks is water-bearing, with large volumes of water under significant pressure. We use ground freezing to form an impermeable wall around the area being mined. This prevents the water in the sandstone from entering the mine, and helps stabilize weak rock formations.

In 2009, we developed an innovative, cathedral-shaped freezewall around zone 2, panel 5, allowing us to develop tunnels above and below the orebody. We expect this innovation will allow us to continue using raisebore mining as the main mining method at McArthur River and improve production efficiencies as we transition to other areas of the mine.

Raisebore mining

Raisebore mining is an innovative non-entry approach that we adapted to meet the unique challenges at McArthur River. It involves:

- drilling a series of overlapping holes through the ore zone from a raisebore chamber in waste rock above the ore
- collecting the broken ore at the bottom of the raises using line-of-sight remote-controlled scoop trams, and transporting it to a grinding circuit

- filling each raisebore hole with concrete once it is complete
- removing the equipment and filling the entire chamber with concrete when all the rows of raises in a chamber are complete
- starting the process again with the next raisebore chamber.

We have successfully used the raisbore mining method to extract about 190 million pounds (100% basis) since we began mining in 1999.

We may also use boxhole boring and blast-hole stoping in other areas of the mine.

Boxhole boring

Given our success with the cathedral-shaped freezewall around zone 2, panel 5, the use of boxhole boring in our mine plan has been significantly narrowed in scope. We expect to be able to continue using raisebore mining as our main mining method for McArthur River.

Boxhole boring is similar to the raisebore method, but the drilling machine is located below the orebody, so development is not required above the orebody. This method is currently being used at only a few mines around the world, but has not been used for uranium mining.

Boxhole boring poses some technical challenges. We have completed four test raises in waste, and intend to complete four test raises in ore in 2011, however, we expect it will only be used as a secondary method in areas where we determine raiseboring is not feasible. This method may not be as productive as the raisebore method, however, we will have a better understanding once we have fully developed and tested it at McArthur River. We may use it on a limited basis in 2013 to meet our production target.

Initial processing

We carry out initial processing of the extracted ore at McArthur River:

- the underground circuit grinds the ore and mixes it with water to form a slurry
- the slurry is pumped 680 metres to the surface and stored in one of four ore slurry holding tanks
- it is blended and thickened, removing excess water
- the final slurry, which ranges in grade from 15 to 30% uranium, is pumped into transport truck containers and shipped to Key Lake mill on an 80 kilometre all-weather road.

Contaminated water from this process, including water from underground operations, is treated on surface. The extra water we do not need is released into the environment.

Tailings

McArthur River does not have a tailings management facility because it ships the ore slurry to Key Lake for milling.

Waste

The waste rock piles are confined to a small footprint on the surface lease. These are separated into three categories:

- clean rock (includes mine development waste, crushed waste, and various piles for concrete aggregate and backfill)
- mineralized waste (>0.03% U_3O_8) — stored on engineered lined pads
- waste with acid-generating potential — stored on engineered lined pads.

Water inflows

Production was temporarily suspended on April 6, 2003, as increased water inflow due to a rock fall in a new development area (located just above the 530-metre level) began to flood portions of the mine. We resumed mining in July 2003 and sealed off the excess water inflow in July 2004.

In November 2008, there was a small water inflow in the lower zone 4 development area on the 590 metre level. We captured and controlled the inflow, and did not have to alter our mining plan. We completed a freezewall in this area in 2010, and are now mining in the area.

Pumping capacity and treatment limits

Our standard for this project is to secure pumping capacity of at least one and a half times the estimated maximum sustained inflow. We review our dewatering system and requirements at least once a year and before we begin work on any new zone. We believe we have sufficient pumping, water treatment and surface storage capacity to handle the estimated maximum sustained inflow.

Production

- *Forecast*: 18.7 million pounds of U_3O_8 per year until 2018 (our share will be 13.1 million pounds). After that, it declines until 2034.
- *2010*: 19.9 million pounds of U_3O_8 was produced by milling McArthur River ore at Key Lake (our share was 13.9 million pounds). Average mill metallurgical recovery was 98.5%.

In 2010, the CNSC approved an amendment to our operating licence for McArthur River, giving us flexibility in the annual licensed production limit, similar to that received at Key Lake last year. The McArthur River mine can produce up to 20.7 million pounds U_3O_8 (100% basis) per year as long as average annual production does not exceed 18.7 million pounds. If production is lower than 18.7 million pounds in any year, we can produce more in future years until we recover the shortfall. We still have the opportunity to recover about 4 million pounds (100% basis) in past production shortfalls.

Recent activity

In 2010, we completed the new freezewall and brought the lower mining area of zone 4 into production.

At McArthur River, average grade for our mineral reserves changed as follows:

- for our proven reserves: in 2010 the average grade is 17.29%, up from 15.72% in 2009
- for our probable reserves: in 2010 the average grade is 13.49%, down from 26.33% in 2009.

As a consequence, the average grade for our proven and probable reserves in 2010 is 15.24%, down from 19.53% in 2009.

The addition of 260 thousand tonnes of ore to probable reserves resulted in the average grade decreasing in 2010. This increase of tonnes is due mostly to successful underground drilling and conversion of lower grade inferred resources to probable reserves. Our plan to use conventional blast-hole stoping in some areas also enabled us to convert lower grade resources to reserves. We do not expect this reduction in grade to have a material effect on operating costs. Please see *Mineral reserves and resources* starting on page 67 for more information.

In 2011:

- Zone 2, panel 5 — We expect to develop a third raisebore chamber.
- Zone 4 — We will begin work to install the freezewall required to bring the upper mining area of zone 4 into production.

Our initial plan was to mine upper zone 4 using boxhole boring. We now expect, however, to use raisebore mining in this area by applying the ground freezing experience we gained in zone 2, panel 5. By using raisebore mining, we expect to significantly improve production efficiencies compared to boxhole boring.

Key Lake mill

Location

In northern Saskatchewan, 570 kilometres north of Saskatoon. The site is 9 kilometres long, running north and south, and 5 kilometres wide, running east and west. It is connected to McArthur River by an 80 kilometre all-weather road. There is a 1.6 kilometre unpaved air strip and an air terminal on the east edge of the site, on the surface lease.

Permits

We need three permits to operate the Key Lake mill:

- *Uranium Mine Facility Operating Licence* — renewed in 2008 and expires on October 31, 2013 (from the CNSC)
- *Approval to Operate Pollutant Control Facilities* — renewed in 2009 and expires on November 30, 2014 (from the Saskatchewan Ministry of Environment)

- *Permit to Operate Waterworks* — renewed in 2009 and expires on November 30, 2014 (from the Saskatchewan Ministry of Environment)

In June 2009, the CNSC amended our operating licence for Key Lake, giving us flexibility in annual licensed production. The Key Lake mill can produce up to 20.4 million pounds U_3O_8 per year as long as average annual production does not exceed 18.7 million pounds. If production is lower than 18.7 million pounds in any year, we can produce more in future years until we recover the shortfall. We still have the opportunity to recover about 4 million pounds (100% basis) in past production shortfalls. This also gives us the flexibility to avoid having to restart the mill in cold winter temperatures.

After the mill is revitalized, annual production will depend mainly on mine production. We are continuing to plan for annual production of 18.7 million pounds (100% basis) for the next few years.

Supply

Our share of McArthur River ore is milled at Key Lake. We do not have a formal toll milling agreement with the Key Lake joint venture.

In June 1999, the Key Lake joint venture (us and UEM) entered into a toll milling agreement with Areva to process all of their share of McArthur River ore. The terms of the agreement (as amended in January 2001) include the following:

- processing is at cost, plus a toll milling fee
- the Key Lake joint venture owners are responsible for decommissioning the Key Lake mill and for certain capital costs, including the costs of any tailings management associated with milling Areva's share of McArthur River ore.

With the UEM distribution in 2009 (see *History* on page 15 for more information), we made the following changes to the agreement:

- the fees and expenses related to Areva's pro-rata share of ore produced just before the UEM distribution (16.234% — the first ore stream) have not changed. Areva is not responsible for any capital or decommissioning costs related to the first ore stream.
- the fees and expenses related to Areva's pro-rata share of ore produced as a result of the UEM distribution (an additional 13.961% — the second ore stream) have not changed. Areva's responsibility for capital and decommissioning costs related to the second ore stream are, however, as a Key Lake joint venture owner under the original agreement.
- Areva's termination rights are the same except for one condition: the second ore stream must be milled at the Key Lake mill for the entire life of the McArthur River project, regardless of Areva's termination rights.

The agreement is automatically extended for one-year periods (as of June 1, 2009) unless Areva terminates the agreement. It can do this as of the end of any operating year as long as it provides six months notice.

Process

The Key Lake mill uses a seven-step process:

- blend McArthur River ore with low grade mineralized material to lower the grade
- dissolve the uranium using a leaching circuit
- clarify the uranium in solution using a counter current decantation circuit
- concentrate it using a solvent extraction circuit
- precipitate it with ammonia
- thicken, dewater and dry it
- package it as 98% U_3O_8 (yellowcake).

Waste rock

There are five large rock stockpiles at the Key Lake site:

- three contain non-mineralized waste rock. These will be decommissioned when the site is closed.
- two contain low-grade mineralized material. These are used to lower the grade of the McArthur River ore before it enters the milling circuit.

Treatment of effluent

We modified Key Lake's effluent treatment process to reduce concentrations of molybdenum and selenium discharged into the environment, as required by our operating licence. Release of both metals to the environment is now controlled at reduced concentrations.

Tailings capacity

There are two tailings management facilities at the Key Lake site:

- an above-ground impoundment facility, where tailings are stored within compacted till embankments. We have not deposited tailings here since 1996, and are looking at several options for decommissioning this facility.
- the Deilmann pit, which was mined out in the 1990s. Tailings from processing McArthur River ore are deposited in the Deilmann tailings management facility (TMF).

At current production rates, the capacity of the Deilmann TMF is five to six years, assuming only minor losses in storage capacity because of sloughing from the pitwalls. Significant sloughing may constrain McArthur River production.

In the past, sloughing of material from the pitwalls has reduced tailings capacity. Studies show that stabilizing and reducing water levels in the pit enhances the stability of the pitwalls, which reduces the risk of pitwall sloughing. We have doubled our dewatering treatment capacity, allowing us to stabilize the water level in the pit. This water level has been reduced gradually over the past two years.

In 2009, regulators approved our plan for the long-term stabilization of the Deilmann TMF pitwalls. We are implementing the plan, and expect it will take approximately four years to complete the work. During 2011, we expect to:

- complete the detailed design for the stabilization of the Deilmann TMF pitwalls
- start to relocate the infrastructure necessary to allow us to flatten the slope of the pitwalls
- advance work on the environmental assessment for the *Key Lake extension project*.

We have also assessed options for long-term storage of tailings at Key Lake. We are proceeding with the environmental assessment to support an application for regulatory approval to deposit tailings in the Deilmann TMF to a much higher level. Once we receive approval, we expect this would provide enough tailings capacity for many years of mill production at Key Lake.

Mill revitalization

The Key Lake mill began operating in 1983. We have a revitalization plan to maintain and increase its annual uranium production capability to up to 25 million pounds. Our initial work is in three areas:

- operational upgrades — upgrading circuits with new technology to simplify operations, increasing annual production capacity and improving environmental performance. As part of this plan, we are replacing the acid, steam and oxygen plants. We received regulatory approval to proceed with these projects and work is well underway. We plan to have the replacement plants commissioned by the end of 2011.
- treatment of effluent — completed
- increase in tailings capacity — see *Tailings capacity*, above.

We may make other changes to the mill, including demolishing facilities we no longer need, depending on the results of studies.

Decommissioning and financial assurances

In 2003, we prepared a *preliminary decommissioning plan* for both McArthur River and Key Lake, which were approved by the CNSC and the Saskatchewan Ministry of the Environment. In 2008, when we renewed our CNSC licence, we revised the accompanying *preliminary decommissioning cost estimates*. These documents include our estimated cost for implementing the decommissioning plan and addressing known environmental liabilities.

We, along with our joint venture partner, posted letters of credit as financial assurances with the Saskatchewan Ministry of the Environment to cover the amounts in the 2008 *preliminary decommissioning cost estimates* ($36.1 million for McArthur River and $120.7 million for Key Lake).

Exploration, drilling and estimates

The original McArthur River resource estimates were derived from surface diamond drilling from 1980 to 1992. In 1988 and 1989, this drilling first revealed significant uranium mineralization. By 1992, we had delineated the mineralization over 1,700 metres at between 530 to 640 metres. Data included assay results from 42 drillholes. The very high grade found in the drillholes justified the development of an underground exploration project in 1993.

Surface drilling

We have carried out surface drilling since 2004, to test the extension of mineralization identified from the historical surface drillholes, to new targets along the strike, and to evaluate the P2 trend north and south of the mine. Surface drilling has been over a strike length of two kilometres, generally at between 500 metres to 640 metres below the surface.

As of December 31, 2010, we had drilled 123 surface drillholes (both conventional and directional drilling) for a total of over 70,000 metres along the P2 trend.

We have completed preliminary drill tests of the P2 trend at 200 metre intervals over 10.7 kilometres (4.3 kilometres north and 6.4 kilometres south of the McArthur River mine site) of the total 14.8 kilometres strike length of the P2 trend. A total of $3.5 million (our share $2.44 million) has been budgeted in 2011 for diamond drilling to follow up on any 2010 anomalies and continue systematic testing of the P2 trend south of the mine.

Underground drilling

In 1993, regulators approved an underground exploration program, consisting of shaft sinking, lateral development and drilling. We completed the shaft in 1994.

We have drilled more than 750 underground drillholes since 1993, over 70,000 metres, to get detailed information along 750 metres of the surface delineation, and used this data to estimate the mineral reserves and resources in four mineralized zones (zones 1 to 4). The drilling was from the 530 and 640 metre levels. Data from hundreds of freezeholes and raisebore pilot holes support the estimate. Where there were no underground drillholes (the southern part of the deposit, and in zones A and B in the northern part of the deposit), we used surface exploration drillholes to estimate mineral resource.

We have also drilled 1,500 underground holes along more than 105,000 metres for geotechnical information and as probe and grout covers, as well as for service, drain holes and freezeholes.

Recent activity

We initiated a multi-year project, the *McArthur River extension*, in 2010, to advance the underground exploration drifts on the 530 metre level to the north and to the south of the current mining operations. We expect this work to further delineate zones A and B inferred mineral resources to the north and mineral resources to the south. We began tunneling the north exploration drift in 2007, and the south exploration drift in 2010.

We received regulatory approval to continue developing the north exploration drift towards zone A and zone B. Over the next two years, we will carry out underground exploration from this drift to expand our knowledge of the size and grade of the ore in this area.

The surface lease agreement reinstates the surface lease to its original size, which will allow us to optimize the location for future mine workings for ongoing approved activities. We expect a fourth shaft will be necessary for ventilation of ongoing operations and for the eventual development of zones to the north of the current mining areas.

In 2011, we will continue work on the *McArthur River extension* project, advancing the underground exploration drift to the north of the current mining areas. We will carry out further exploration drilling of zone B. We will begin work on a feasibility study for the zones north of our current mining areas.

Sampling and analysis

Surface samples

- GPS or mine site surveying instruments are used in the field to verify the location of surface drillholes.
- Holes are generally drilled every 12 to 25 metres, on sections that are 50 to 200 metres apart. Drilled depths average 670 metres.

- Vertical holes generally intersect mineralization at angles of 25 to 45 degrees, resulting in true widths being 40 to 70% of the drilled width. Angled holes usually intercept it perpendicularly, giving true width.
- All holes are radiometrically probed.
- A geologist examines the surface drillhole core in the field, determines its overall characteristics, including mineralization, logs the information, and takes samples that have noteworthy alteration, structures and radiometric anomalies.
- Basement sampling procedures depend on the length of the interval sampled, and attempts are made to avoid having samples cross lithological boundaries.
- All core with radioactivity greater than a set threshold is split and sampled for assay.
- We measure the uranium grade by assaying core. Core recovery is generally considered excellent with some local exceptions. The quality and representativeness of the surface drillhole samples is adequate for estimating mineral resources and mine planning, but we often validate surface drillhole results against underground drilling results in the same vicinity.

Underground samples

- Holes are drilled in stations 30 metres apart. Each station is drilled with three fans of holes, covering 10 metres across the deposit.
- Uranium grade is calculated from the adjusted radiometric probe readings. Radiometric probing is at 0.1 metre spacing in radioactive zones and 0.5 metre spacing in unmineralized zones. The drillhole fans give the gamma probes representative access across the entire deposit.
- For a small portion of the assay data we obtain, which we use to estimate mineral resources, we assay core to determine the U_3O_8 content past the probe limit of a hole, or to provide correlation samples to compare against a probed interval. In these cases, we log the core, photograph it, and then sample it for uranium analysis. We sample the entire interval instead of splitting the core. This provides very high-quality samples in these areas.
- Core recovery in these areas can be excellent to poor.
- The quality and representativeness of the underground drillhole samples is adequate for estimating mineral resources and mine planning.

Analysis

We record the following for each sample:

- hole number, date and name
- sample number
- from and to intervals and length
- recovered length
- range of radioactivity
- weight
- core diameter
- rock type, alteration, and mineralization.

We place each sample in a plastic bag and write its number on the bag. We place the bags in a metal or plastic shipping drum, which is scanned by the radiation department and shipped to the Saskatchewan Research Council (SRC) in Saskatoon for analysis.

SRC personnel:

- verify the sample information
- sort the samples by radioactivity
- dry, crush and grind them in secure facilities or in the main laboratory, if they have minimal radioactivity
- dilute the samples and carry out a chemical analysis
- prepare and analyse a quality control sample with each batch
- analyse one of every 40 samples in duplicate.

Quality control

A data and quality assurance coordinator on staff is responsible for reviewing the quality of geochemical data received from laboratory contractors. The coordinator reviews the analyses provided by the lab using the results of standard reference materials as a benchmark, and, together with project geologists, determines whether it is necessary to reassay.

We use several quality control measures and data verification procedures:

- enter surveyed drillhole collar coordinates and hole deviations in the database, display them in plan views and sections and visually compare them to their planned location
- visually validate core logging information on plan views and sections, and verify it against photographs of the core or the core itself
- compare downhole radiometric probing results with core radioactivity and drilling depth measurements
- validate uranium grade based on radiometric probing with sample assay results, when available
- compare the information in the database against the original data, including paper logs, deviation survey films, assay certificates and original probing data files.

Since 2000, we have regularly compared information collected from production activities, such as freezeholes, raisebore pilot holes, radiometric scanning of scoop tram buckets and mill feed sampling, to the drillhole data.

Quality assurance and quality control for underground drillhole information focuses on ensuring quality probing results. We do this by:

- checking the calibration of probes before using them
- visually monitoring the radiometric measurements
- periodically duplicating probe runs.

We also compare the probing results with the core measurements, and have an experienced geologist at the mine site or in Saskatoon visually inspect the radiometric profile of each hole. Reconciling the model with mine production is a very good indicator that estimated grades in the block model accurately reflect the mined grades.

Sample security

All samples collected from McArthur River are prepared and analysed under the close supervision of a qualified geoscientist at the SRC, which is a restricted access laboratory licensed by the CNSC.

We store and ship all samples in compliance with regulations. We consider it unlikely that samples are tampered with because of the high grade of the ore and the process used: the core is scanned immediately after it is received at a sample preparation laboratory and grade is estimated at that point.

Accuracy

We are satisfied with the quality of data obtained from surface exploration and underground drilling at McArthur River and consider it valid for estimating mineral resources and mineral reserves. This is supported by the fact that, for the last five years, actual annual production has been within 5% of our estimates.

Mineral reserve and resource estimates

Please see page 67 for our mineral reserve and resource estimates for McArthur River.

Uranium — operating properties



Rabbit Lake

The Rabbit Lake operation, which opened in 1975, is the longest operating uranium production facility in North America, and the second largest uranium mill in the world.

Location	Saskatchewan, Canada
Ownership	100%
End product	U_3O_8
ISO certification	ISO 14001 certified
Deposit type	underground
Estimated mineral reserves	25.5 million pounds (proven and probable) average grade U_3O_8 — 0.76%
Estimated mineral resources	4.0 million pounds (indicated) average grade U_3O_8 — 0.52% 10.2 million pounds (inferred) average grade U_3O_8 — 1.26%
Mining method	vertical blast-hole stoping
Licensed capacity	mill: maximum 16.9 million pounds per year; currently 11 million
Total production 1975 to 2010	182.5 million pounds
2010 production	3.8 million pounds
2011 forecast production	3.6 million pounds
Estimated mine life	2017 (based on current reserves)
Estimated decommissioning cost	$105.2 million

Business structure

We own 100% of Rabbit Lake.

Permits

We need three permits to operate the Rabbit Lake mining and milling complex:

- *Uranium Mine Operating Licence* from the CNSC
- *Approval to Operate Pollutant Control Facilities* from the Saskatchewan Ministry of the Environment
- *Permit to Operate Waterworks* from the Saskatchewan Ministry of the Environment.

These permits expire on October 31, 2013.

Production

2010 production was 3.8 million pounds U_3O_8, the same as in 2009. We completed a new exhaust air raise to support future activities in the northern part of the mine.

Exploration

In 2010, we added mineral reserves, extending the estimated mine life by two years to 2017. We completed surface exploration drilling near the

mine and found new mineralization referred to as the Powell zone. We will continue to evaluate this through an underground drilling program planned for 2012.

We have extended our underground drilling reserve replacement program into 2011. We plan to test and evaluate areas east and northeast of the mine where we have had good results. Drilling will continue on other parts of the property.

Tailings

We expect the mill to have the capacity to handle tailings from milling ore from Rabbit Lake and a portion of Cigar Lake solution until mid-2016 (based on expected ore grades and milling rates). We are planning to expand the existing tailings management facility to increase the tailings capacity by mid-2016 to support the extension of Rabbit Lake's mine life, accommodate tailings from processing Cigar Lake uranium solution, and provide a modest amount of additional tailings capacity. We need regulatory approval to proceed with any increase in capacity and will pay the capital costs. The increase in tailings capacity will require an environmental assessment.

Site reclamation

We are proceeding with our multi-year, site wide reclamation plan. We spent $5 million in 2010 to reclaim facilities that are no longer in use, and plan to spend another $5.7 million in 2011.

Mill renewal

We have been working on upgrades to the Rabbit Lake mill and associated facilities since 2006:

- 2006 — reduced mill effluent concentrations of uranium
- 2008 — replaced the mill-distributed control system and improved the mill's secondary containment
- 2009 — reduced mill effluent concentrations of molybdenum and selenium
- 2010 — replaced the converter and heat recovery equipment in the acid plant
- 2011 — replacing the three acid plant towers in the acid plant, and ongoing upgrades to mill processing equipment and tanks
- mid-2015 — target for completing mill modifications to process Cigar Lake solution

Toll milling of Cigar Lake solution

Under the *Rabbit Lake toll milling agreement* (effective January 1, 2002), we will process a portion of uranium solution from Cigar Lake ore at the Rabbit Lake mill. This requires us to make additional modifications to the mill. Please see page 51 for more information.

Uranium — operating properties



Smith Ranch-Highland

We operate Smith Ranch and Highland as a combined operation. Each has its own processing facility, but the Smith Ranch mill processes all the uranium. The Highland mill is currently idle.

Together, they form the largest uranium production facility in the United States.

Location	Wyoming, US
Ownership	100%
End product	U_3O_8
ISO certification	ISO 14001 certified
Estimated mineral reserves	8.0 million pounds (proven and probable) average grade U_3O_8 — 0.09%
Estimated mineral resources	22.5 million pounds (measured and indicated) average grade U_3O_8 — 0.06% 6.6 million pounds (inferred) average grade U_3O_8 — 0.05%
Mining method	in situ recovery (ISR)
Licensed capacity	mine: 2 million pounds per year mill: 4 million pounds per year including Highland mill
Total production 2002 to 2010	13.6 million pounds
2010 production	1.8 million pounds
2011 forecast production	1.8 million pounds
Estimated decommissioning cost	$111. 5 million (US)

Business structure

We own 100% of Smith-Ranch Highland through a wholly owned subsidiary.

See our 2010 MD&A for more information.

Uranium — operating properties



Crow Butte

Crow Butte was discovered in 1980 and began production in 1991. It is the first uranium mine in Nebraska, and is a significant contributor to the economy of northwest Nebraska.

Location	Nebraska, US
Ownership	100%
End product	U_3O_8
ISO certification	ISO 14001 certified
Estimated mineral reserves	3.1 million pounds (proven and probable) Average grade U_3O_8 — 0.12%
Estimated mineral resources	11.2 million pounds (measured and indicated) average grade U_3O_8 — 0.21% 5.6 million pounds (inferred) average grade U_3O_8 — 0.11%
Mining method	in situ recovery (ISR)
Licensed capacity (mine and mill)	1 million pounds per year
Total production 2002 to 2010	6.8 million pounds
2010 production	0.7 million pounds
2011 forecast production	0.7 million pounds
Estimated decommissioning cost	$35.2 million (US)

Business structure

We own 100% of Crow Butte through a wholly-owned subsidiary.

See our 2010 MD&A for more information.

Uranium — operating properties



Inkai

Inkai is a very significant uranium deposit, located in Kazakhstan. There are two production areas (blocks 1 and 2) and an exploration area (block 3). The operator is Joint Venture Inkai Limited Liability Partnership, which we jointly own (60%) with Kazatomprom (40%).

Inkai is one of our three material uranium properties.

Location	central Kazakhstan
Ownership	60%
End product	U_3O_8
ISO certification	BSI OHSAS 18001 ISO 14001 certified
Estimated mineral reserves (our share)	72.9 million pounds (proven and probable) average grade U_3O_8 — 0.07%
Estimated mineral resources (our share)	18.3 million pounds (measured and indicated) average grade U_3O_8 — 0.08%
	153.0 million pounds (inferred) average grade U_3O_8 — 0.05%
Mining method	in situ recovery (ISR)
Licensed capacity (mine and mill)	approved in principle: 3.9 million pounds per year (our share 2.3 million pounds per year)
	application: expect to submit for 5.2 million pounds per year (our share 3.1 million pounds per year)
2010 production	2.6 million pounds (our share)
2011 forecast production	2.7 million pounds (our share)
Estimated mine life	20 years (based on current reserves)
Estimated decommissioning cost	$7 million (US)

Business structure

Inkai is a Kazakhstan limited liability partnership between two companies:

- Cameco — 60%
- JSC NAC KazAtomProm (Kazatomprom) — 40%

  (a Kazakhstan Joint Stock Company owned by the Republic of Kazakhstan)

History

1976-78	• Deposit is discovered
	• Exploration drilling continues until 1996
1979	• Regional and local hydrogeology studies begin
	• Borehole tests characterize the four aquifers within the Inkai deposit (Uvanas, Zhalpak, Inkuduk and Mynkuduk)
1988	• Pilot test in the northeast area of block 1 begins, lasts 495 days and recovers 92,900 pounds of uranium
1993	• First Kazakhstan estimates of uranium reserves for block 1
1996	• First Kazakhstan estimates of uranium reserves for block 2
	• Kazakhstan regulators registers Inkai, a joint venture among us, Uranerzbergbau-GmbH and KATEP
1997 -1998	• Kazatomprom is established
	• KATEP transfers all of its interest in the Inkai joint venture to Kazatomprom
1998	• We acquire all of Uranerzbergbau-GmbH's interest in the Inkai joint venture, increasing our interest to 66 2/3%
	• We agree to transfer a 6 2/3% interest to Kazatomprom, reducing our holdings to a 60% interest
1999	• Inkai receives a mining licence for block 1 and an exploration licence for blocks 2 and 3 from the government of Kazakhstan
2000	• Inkai and the government of Kazakhstan sign a subsoil use contract (called the *resource use contract*), which covers the licences issued in 1999 (see above)
2002	• Test mining operations at block 2 begins
2005	• Construction of ISR commercial processing facility at block 1 begins
2006	• Complete test mine expansion at block 2
2007	• Sign Amendment No.1 to the resource use contract, extending the exploration period at blocks 2 and 3
2008	• Commission front half of the main processing plant in the fourth quarter, and begin processing solution from block 1
2009	• Sign Amendment No.2 to the resource use contract, which approves the mining licence at block 2, extends the exploration licence for block 3 to July 13, 2010, and requires Inkai to adopt the new tax code and meet the Kazakhstan content thresholds for human resources, goods, works and services
	• Commission the main processing plant, and started commissioning the first satellite plant
2010	• Receive regulatory approval for commissioning of the main processing plant
	• File a notice of potential commercial discovery at block 3
	• Receive approval in principle for the extension of the block 3 exploration licence for a five-year appraisal period that expires July 2015, and an increase in annual production from blocks 1 and 2 to 3.9 million pounds (100% basis)

Technical report

This project description is based on the project's technical report: *Inkai Operation, South Kazakhstan Oblast, Republic of Kazakhstan,* dated March 31, 2010 (effective December 31, 2009) except for some updates that reflect developments since the technical report was published.

All conclusions, projections and estimates in this description are based on the qualifications, assumptions and exclusions in the technical report. We recommend you read it in its entirety to fully understand the project. You can download a copy from SEDAR (sedar.com) or from EDGAR (sec.gov).

For information about environmental matters, see *Sustainable development* starting on page 76

For a description of royalties payable to the government of Kazakhstan on the sale of uranium extracted from orebodies within the country and taxes, see page 90.

The report was prepared for us in compliance with NI 43-101, under the supervision of Alain G. Mainville, P. Geo., and Charles J. Foldenauer, P. Eng. These people are *qualified persons* within the meaning of NI 43-101, but are not independent of us.

About the Inkai property

Location

The Inkai mine is located in the Suzak District of South Kazakhstan Oblast, Kazakhstan near the town of Taikonur, 370 kilometres north of the city of Shymkent and 125 kilometres east of the city of Kyzl-Orda.

Accessibility

The road to Taikonur is the primary road for transporting people, supplies and uranium product to and from the mine. It is a gravel road and crosses the Karatau Mountains. Railroad transportation is available from Almaty to Shymkent, then northwest to Shieli, Kyzl-Orda and beyond. A rail line also runs from the town of Dzhambul to a Kazatomprom facility to the south of Taikonur.

Licences

Inkai holds the rights to three contiguous licence blocks, blocks 1, 2 and 3, based on the licences it has received and its *resource use contract* with the Kazakhstan government. Inkai has to meet certain obligations to maintain these rights. See page 36 for more information.

Setting

Inkai lies in the Betpak Dala Desert, which has an arid climate, minimal precipitation and relatively high evaporation. The surface elevation ranges from 140 to 300 metres above mean sea level. The average precipitation varies from 130 to 140 millimetres per year, and 22 to 40% of this is snow.

The area also has strong and almost uninterrupted winds that travel from 3.8 to 4.6 metres per second. The prevailing winds are northeast. Dust storms are common. The major water systems in the area include the Shu, Sarysu and Boktykaryn rivers.

Geology

The deposit is sub-divided into two regions: the Sandy-brackish intercontinental deltas of the Shu and Sarysu rivers, and the Betpak Dala plateau.

The geology of south-central Kazakhstan is comprised of a large relatively flat basin of Cretaceous to Neogene age continental clastic sedimentary rocks. The Cretaceous-Cainozoic Chu-Sarysu basin extends for more than 1,000 kilometres from the foothills of the Tien Shan Mountains on the south and southeast sides, and merges into the flats of the Aral Sea depression to the northwest. The basin is up to 250 kilometres wide, bordered by the Greater Karatau Mountains on the southwest and the Chu-Ili uplift and Central Kazakhstan uplands on the northeast. It is composed of gently dipping to nearly flat lying fluvial-derived unconsolidated sediments composed of inter-bedded sand, silt, and local clay horizons.

The Cretaceous-Cenozoic sediments host several stacked and relatively continuous, sinuous “roll-fronts”, or oxidation-reduction (redox) fronts hosted in the more porous and permeable sand and silt units. There are several uranium deposits and active ISR uranium mines at these regional oxidation roll-fronts, developed along a regional system of superimposed mineralization fronts.

The Inkai deposit is hosted within the Inkuduk and Mynkuduk formations, which are made up of feldspathic sandstones or sub-arkoses, typically containing 50 to 60% quartz, 10 to 15% feldspar, and 5 to 10% clay. The redox boundary can be readily recognised in core by a distinct colour change from gray on the reduced side to yellowish stains on the oxidized side, stemming from the oxidation of pyrite to limonite. In cross-section, the redox boundary is often “C” shaped forming the classic “roll-front”. The sands have a high horizontal permeability.

Mineralization

Seven mineralized zones have been identified on blocks 1 and 2, including three zones in the Mynkuduk horizon and four zones in the Inkuduk horizon.

Mineralization includes sooty pitchblende (85%) and coffinite (15%). The pitchblende occurs as micron-sized globules and spherical aggregates. The coffinite occurs as small crystals. Both uranium minerals are commonly associated with pyrite, and occur in pores on interstitial materials like clay minerals, as films around and in cracks within sand grains, and as pseudomorphic replacements of rare organic matter.

Most of the mineralization in block 1 is in the Mynkuduk horizon, of Turonian age, which unconformably overlays Permian argillites. Made up of fine to medium sands with occasional layers of clay or silt, this horizon is at a depth of 500 metres. The lower part of the Inkuduk horizon, which sits above the Mynkuduk horizon, is also locally mineralized.

In block 2, mineralization is mainly in the Middle and Lower Inkuduk horizons, between 350 and 420 metres below the surface.

Block 3 potential commercial discovery

Exploration work on the northern flank (block 3) of the Inkai deposit has identified extensive mineralization hosted by several horizons in the lower and middle parts of the Upper Cretaceous stratigraphic level and traced along 25 kilometres from block 2 of the Inkai deposit in the southwest through to the Mynkuduk deposit in the northeast. This discovery requires further assessment of its commercial viability. In February 2010, Inkai filed a notice of the discovery with regulators.

In June 2010, Inkai received approval in principle from the relevant government authority to amend the block 3 licence to provide for a five-year appraisal period to carry out delineation drilling, uranium resource estimation, construction and operation of a test leach facility and to complete a feasibility study. Inkai carried out delineation drilling through 2010 and began planning for a new test leach facility.

In 2011, we expect block 3 work to include continued delineation drilling, infrastructure development, and engineering of the test leach facility.

Profits from block 3 production are to be shared on a 50:50 basis with our partner, instead of based on our ownership interests.

About the Inkai operation

Inkai is a developed mineral property with sufficient surface rights to meet future mining operation needs for the current mineral reserves.

Licences

We need a number of licences to operate the Inkai mine:

- *Licence Series AY 1370D*, April 20, 1999, expires in 2024

  For uranium extraction in block 1 (16.6 square kilometres)

- *Licence Series AY 1371D*, April 20, 1999

  For exploration and uranium extraction in block 2 (230 square kilometres) (expires in 2030) and for exploration in block 3 (240 square kilometres) (expires in 2015 (based upon June 2010 Kazakh regulatory approval in principle))

Other material licences

- *Licence for performance of works connected with stages of life cycle of objects of use of atomic energy*
  (issued January 18, 2010 by the Kazakhstan Ministry of Energy and Mineral Resources (MEMR))
- *Licence for operation of mining production and mineral raw material processing*
  (issued December 23, 2009 by the MEMR)
- *Licence for transportation of radioactive substances within the territory of the Republic of Kazakhstan*
  (issued November 18, 2008 by the MEMR)
- *Licence for dealing with radioactive substances*
  (issued August 29, 2008 by the MEMR)

These licences are all currently in force and have an indefinite term. Inkai's material environmental permits are described on page 36.

Infrastructure

Block 1

- main processing plant, which includes a product recovery drying and packaging facility
- administrative office, shops, garage, laboratory, emergency response building, low-level radioactive waste and domestic landfills, engineering and construction offices
- a camp for 400 employees
- catering and leisure facilities

Block 2

- satellite processing plant that produces uranium loaded ion exchange resin
- office, small shops, and a food services facility

We are planning an additional satellite processing plant.

Block 3

We are planning a test leach facility.

Water, power and heat

Groundwater wells provide sufficient water for all planned industrial activities. Shallow wells on site have potable water for use at the camp. The site is connected to the Kazakh power grid. Operations continue throughout the year despite cold winters (lows of -35°C) and hot summers (highs of +40°C).

Employees

Taikonur has a population of about 450 people who are mainly employed in uranium development and exploration. Whenever possible, Inkai hires personnel from Taikonur and surrounding villages.

Mining method

Inkai uses conventional and well-established ISR technology. It has a very efficient process for uranium recovery, developed after extensive test work and operational experience. The process involves five major steps:

- leach the uranium in-situ with sulphuric acid-based lixiviate solution
- recover it from solution with ion exchange resin (takes place at both main and satellite processing plants)
- precipitate it with hydrogen peroxide
- thicken, dewater, and dry it
- package it as U_3O_8 (yellowcake) in drums.

The process requires large quantities of sulphuric acid because there are relatively high levels of carbonate in the ore. In 2007, a fire at a sulphuric acid plant in Kazakhstan, and delays in the start-up of a new plant, restricted the availability of sulphuric acid. Allotments of sulphuric acid to Inkai and other ISR operations in Kazakhstan were reduced. The shortage continued throughout 2008, though it was resolved by the end of that year. Inkai received enough sulfuric acid in 2009 and 2010 to acidify the wellfields as planned.

The supply of sulphuric acid was not an issue for Inkai in 2010. However, given the importance of sulphuric acid to Inkai's mining operations, we continue to closely monitor its availability. Our production may be less than forecast if there is a shortage.

Production

Total mill production	Based on current mineral reserves, we expect the mine to produce a total of 103.3 million pounds U_3O_8 (recovered by the mill).
Average annual mill production	The mill has the capacity to produce 5.2 million pounds U_3O_8 per year (100% basis). Regulatory approval is required to carry out production at this annual rate. See *Production increases for 2010, 2011 and 2012.* There are enough mineral reserves to carry out production at this rate through the current term of each of Inkai's mineral licences.

Production increases for 2010, 2011 and 2012

In 2010, Inkai received approval in principle to produce 3.9 million pounds per year (100% basis), and is seeking final approval with an amendment to the resource use contract.

Our 2011 and future annual production targets and mineral reserve estimates assume Inkai receives the necessary government approvals and the support of our partner, Kazatomprom. More specifically, Inkai must:

- obtain final approval to produce at an annual rate of 3.9 million pounds (our share 2.3 million pounds)
- obtain the necessary permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramp up production to an annual rate of 5.2 million pounds this year.

We expect Inkai to receive all of the necessary permits and approvals to meet its 2011 and future annual production targets, and we anticipate it will be able to ramp up production as noted above.

There is no certainty, however, Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not, or if the permits and approvals are delayed, Inkai may be unable to achieve its 2011 and future annual production targets and we may have to recategorize some of Inkai's mineral reserves as resources.

Memorandum of understanding

As part of our strategy to double annual production by 2018 to 40 million pounds, we are working with our partner, Kazatomprom, to implement our 2007 non-binding memorandum of understanding.

The memorandum:

- targets future annual capacity of 10.4 million pounds (our share is 5.7 million pounds). While the existing project ownership would not change, our share of the additional capacity above 5.2 million pounds would be 50%.
- contemplates studying the feasibility of building a uranium conversion facility, as well as other potential collaborations in uranium conversion.

To implement this increase, we need a binding agreement to finalize the terms of the memorandum and various approvals from our partner and the government. We are currently in discussions with Kazatomprom about these initiatives. We expect our ability to double annual uranium production at Inkai will be closely tied to the success of the uranium conversion project.

Sales

Under Kazakhstan's transfer pricing law (effective January 1, 2009), sales are based on the current uranium spot price. Inkai has one forward uranium sales contract for a portion of its 2011 production, and it is with us.

Funding

We have a loan agreement with Inkai. As of December 31, 2010, there was:

- $314 million (US) of principal outstanding on the loan
- a nominal amount of accrued interest and financing fees on the loan. In 2010, Inkai paid $49 million (US) in accrued interest and financing fees.

Inkai uses 100% of the cash available for distribution each year to pay accrued interest and financing fees. After those amounts are paid, Inkai uses 80% of cash available for distribution each year to repay principal outstanding on the loan until it is repaid in full. The remaining 20% of cash available for distribution is paid to the owners.

We have also agreed to advance funds for Inkai's work on block 3 until the feasibility study is complete.

Costs and payback

In the March 2010 technical report:

- capital costs remaining were estimated to be $359.2 million (US). This includes $208.6 million (US) for wellfield development. We expect wellfield development costs to decline gradually over the last five years of production.
- payback was forecast in 2012, on an undiscounted, after-tax basis, including all 2009 and prior costs.

Resource use contract

In 2000, Inkai and the government of Kazakhstan signed the resource use contract, which covers the licences issued in 1999. Inkai has to meet the obligations under these licences and the resource use contract to maintain its rights to blocks 1, 2 and 3.

In 2007, Inkai and the relevant government authority signed Amendment No.1 to the resource use contract to extend the exploration period at blocks 2 and 3.

In 2009, Inkai and the relevant government authority signed Amendment No.2 to the resource use contract, which:

- extends the exploration period for block 3 to July 13, 2010
- approves mining at block 2
- combines blocks 1 and 2 for mining and reporting purposes
- requires Inkai to adopt the new tax code that took effect January 1, 2009
- requires Inkai to adopt current Kazakh legal and policy requirements for subsoil users to procure goods, works and services under certain prescribed procedures and foster greater local content
- prescribes Kazakh employment: over the life of the resource use contract, 100% of the workers, at least 70% of engineering and construction staff and at least 60% of the management staff must be Kazakh.

In June 2010, Inkai received approval in principle from the relevant government authority to:

- increase annual production from blocks 1 and 2 to 3.9 million pounds
- amend the block 3 licence for a five-year appraisal period to carry out delineation drilling, mineral resource estimation, construction and operation of a test leach facility, and to complete a feasibility study.

To complete the final stage of the approval process, Inkai subsequently submitted in draft form Amendment No.3 to the resource use contract to the relevant government authority for approval.

Work programs

Inkai is required to follow the work program appended to the resource use contract, which applies to mining operations over the life of the mine. To comply with the new subsoil law, Inkai is developing a life of mine work plan to submit to the relevant government authority for approval (s*ee Project documentation* on page 38). This work plan will need to be updated and submitted to the relevant government authority for every change.

Prior to the new subsoil law, Inkai had to submit an annual work plan to the government authority every year for approval.

Environment

Inkai has to comply with environmental requirements during all stages of the project, and develop an environmental impact assessment for examination by a state environmental expert before making any legal, organizational or economic decisions that could have an effect on the environment and public health.

Under Kazakhstan law, Inkai needs an environmental permit to operate. Inkai has a permit for environmental emissions and discharges, valid until December 2013, and an emissions permit for drilling activities, valid until December 2012. It also holds water permits.

Insurance

Inkai carries environmental insurance, as required by the resource use contract.

Decommissioning

Inkai's decommissioning obligations are largely defined by the resource use contract. It has deposited the required contributions into a separate bank account as security to ensure it will meet its obligations. Contributions are capped at $500,000 (US). Inkai has funded the full amount.

Under the resource use contract, Inkai must submit a plan for decommissioning the mine to the government six months before mining activities are complete. It developed a preliminary decommissioning plan to estimate total decommissioning costs, and updates the plan every five years, or when there is a significant change at the operation that could affect decommissioning estimates. The preliminary decommissioning estimate is $7 million (US).

Groundwater is not actively restored post-mining in Kazakhstan. See page 79 for additional details.

Kazakhstan government and legislation

Subsoil law

The principal legislation governing subsoil exploration and mining activity in Kazakhstan is the *Subsoil Use Law* dated June 24, 2010, which took effect July 7, 2010 (the *subsoil law*). It replaces the *Law on the Subsoil and Subsoil Use* , dated January 27, 1996, as amended (the *old law*).

In general, Inkai's licences are governed by the version of the subsoil law that was in effect when the licences were issued in April 1999, and new legislation applies to Inkai only if it does not worsen Inkai's position. Changes to legislation related to national security, among other criteria, however, are exempt from the stabilization clause in the resource use contract. The Kazakhstan government interprets the national security exemption broadly.

The subsoil law defines the framework and procedures connected with the granting of subsoil rights, and the regulation of the activities of subsoil users. The subsoil, including the mineral resources it contains, belongs to the state. Resources brought to the surface belong to the subsoil user, unless otherwise provided by contract. The state has pre-emptive and approval rights with some exceptions (for example, for inter-group transfers), if a subsoil user transfers its subsoil rights or if there is a transfer (direct or indirect) of an ownership interest in a subsoil user.

Subsoil rights go into effect when a contract with the relevant government authority is finalized. The subsoil user is given, among other things, the exclusive right to conduct mining operations, to build production and social facilities, to freely dispose of its share of production and to negotiate extensions of the contract.

Until March 12, 2010, the Kazakhstan Ministry of Energy and Mineral Resources (MEMR) was designated as the "competent authority" under the old law. The Kazakhstan Ministry of Industry and New Technologies replaced it, and is the current competent authority under the subsoil law. We refer to the competent authority as the *relevant government authority*.

To date, the new subsoil law has not had a significant impact on Inkai. We continue to assess the impact. Some of the general impact is described below:

Stabilization clause

The general stability provision has been changed in the subsoil law. Under the old law, changes in legislation that worsened the position of the subsoil user did not apply to resource use contracts signed before the changes were adopted.

Under the new subsoil law, contracts are only protected from changes in legislation if the changes worsen the *commercial* position of the subsoil user. The subsoil law expands the list of exceptions from stabilization to include taxation and customs regulation. These are in addition to exceptions in the old law for defence, national security, environmental protection and health.

With the new subsoil law, the government continues to weaken its stabilization guarantee. The government is broadly applying the national security exception to encompass security over strategic national resources.

Amendment No. 2 to the resource use contract eliminated the tax stabilization provision that applied to Inkai.

The resource use contract contains significantly broader stabilization provisions than the new subsoil law, and these contract provisions currently apply to us.

Transfer of subsoil rights and pre-emptive rights

The subsoil law strengthens the state's control over transactions involving subsoil rights and the direct and indirect ownership interests in a subsoil user.

Like the old law, transfers of subsurface rights, transfers of shares (interests) in subsoil users and the grant of security over subsurface rights require consent of the relevant government authority. The new subsoil law expands the list of transactions that require consent and also spells out in more detail the circumstances, documentation and information that must accompany the request for consent. It also contains a new provision requiring notification to the relevant government authority within five business days of completion of the transaction.

Similar to the old law, the state has a priority right on terms not worse than those offered by other buyers.

Failing to obtain the state's waiver of its pre-emptive right or the consent of the relevant government authority or to provide the completion notification, are grounds for the state to invalidate a transfer.

Dispute resolution

The dispute resolution procedure in the subsoil law does not specifically disallow international arbitration. Instead it says that if a dispute related to a resource use contract cannot be resolved by negotiation, the parties can resolve the dispute according to the laws of Kazakhstan and international treaties ratified by the Republic of Kazakhstan.

The resource use contract allows for international arbitration. We believe the subsoil law does not affect this right.

Contract termination

Under the subsoil law the relevant government authority can terminate a contract before it expires, if a subsoil user does not fix more than two breaches of its obligations under the contract or the project documents within a specific period.

Under the old law, the relevant government authority could terminate a contract if the subsoil user materially breached its obligations established by the contract or work program.

Under the resource use contract, if Inkai materially breaches its obligations, the relevant government authority has to notify Inkai of the breach and provide a reasonable period to fix it before it can terminate the contract**.** We believe that the terms of the resource use contract should continue to apply unless the state seeks to apply the national security exception to stabilization.

Local content

Subsoil users must procure goods, works and services in compliance with the subsoil law. Procurement is carried out through a specially created register of the goods, works and services and of the entities (producers) providing them. Subsoil users must give preference to local producers, as long as the goods, works and services comply with applicable standards. The subsoil law also allows a statutory tender commission, which oversees tender procedures, to conditionally discount local producers' bids by 20% relative to foreign bidders. This new local content provision applies to Inkai.

Project documentation

Subsoil users who received subsoil rights before the subsoil law was introduced are required to:

- develop new project documentation to be approved by July 7, 2011
- develop a new work program in accordance with the project documentation to be approved by January 7, 2012.

The subsoil law repealed the previous requirement for annual work plans. Instead, expected exploration and/or production volumes for each year will now be set out in the new work program. This new project documentation provision applies to Inkai.

Strategic deposits

On August 19, 2009, 231 blocks, including all three of Inkai's blocks, were prescribed as strategic deposits under the Governmental Resolution *On Determination of the List of Subsoil (Deposit) Areas having Strategic Importance* .

Under the subsoil law, if any actions by a subsoil user relating to a strategic deposit leads to a change in the economic interests of the state that creates a threat to national security, the relevant government authority has the right to demand a change to a contract that will restore the economic interests of the state. The parties have to agree on and make the change within a specific time period, or the relevant government authority can unilaterally terminate the contract.

Currency control regulations

In 2009 specific amendments to existing currency regulations were adopted. These amendments are aimed at preventing possible threats to the economic security and stability of the Kazakh financial system. The President of Kazakhstan was granted the power to establish a special currency regime that can:

- require foreign currency holders to deposit a certain portion of their foreign currency interest free with a resident Kazakhstan bank or the National Bank of Kazakhstan
- require the permission of the National Bank of Kazakhstan for currency transactions, and
- restrict overseas transfers of foreign currency.

While the special currency regime has not been imposed, it has the potential to prevent Kazakh companies, like Inkai, from being able to pay dividends to their shareholders abroad or repatriating any or all of its profits in foreign currency. It can also impose additional administrative procedures, and Kazakh companies could be required to hold a portion of their foreign currency in local banks.

Exploration, drilling and estimates

We did not do any exploration drilling in blocks 1 and 2, and relied instead on historic data to estimate mineral reserves and resources.

Exploration

Historical drilling

- Historical drilling at Inkai included 4,898 holes in blocks 1 and 2, and 510 in block 3.
- Drilling was vertical, on a grid at prescribed density of 3.2 to 1.6 kilometre line spacing and 200 to 50 metre (3.2-1.6 kilometres x 200-50 metres) hole spacing. Additional drilling at grids of 800-400 × 200-50 metres and 200-100 x 50-25 metre grid increased the level of geological knowledge and confidence.
- Vertical holes were drilled with a triangular drill bit for use in unconsolidated formations down to a certain depth and the rest of the holes were cored.
- Volkovgeology, a subsidiary of Kazatomprom, compiled the data for block 1 of the Inkai deposit as well as some of the data for block 2 to produce a report in 1991.

Exploration drilling

- Inkai's geological department oversees exploration, including the strategic direction of the drilling program and management of contractors. Inkai has retained a contractor to direct and coordinate day-to-day drilling activities, and to ensure drilling quality, core recovery, surveying, and geological logging, sampling and daily data processing.
- There have been from three to over 20 rigs actively drilling on block 3, and anywhere from one to four drilling contractors in the last 24 months. This year, four contractors drilled in January and February (15 drilling rigs), and two from March to December (10 drilling rigs).
- Inkai had drilled a total of 2,159 exploration holes in block 3 as of the end of December 2010 (510 before 2006, 45 in 2006, 90 in 2008, 456 in 2009, and 1,058 in 2010). Approximately 70% of all exploration holes are cored through the entire mineralized interval, and have better than 70% core recovery.

Recent activity

- Invested $133.7 million (US) in exploring and developing the mineral processing infrastructure in blocks 2 and 3 during the pilot test mining period.
- Estimated block 2 mineral reserves and put them on the Kazakh state balance sheet of mineral resources.
- Drilled 1,649 exploration drillholes in block 3 between 1999 and December 31, 2010, and analysed more than 12,000 samples.
- Focused the first phase of the drilling program on following the trends and delineated mineralization in the Inkuduk horizons along the northwestern border, and mineralization in the Mynkuduk along the southern border. Used a drilling grid of 800 metres x 50 to 100 metres to form resource estimation blocks suitable for C2 Kazakhstan resources (equivalent to *inferred resources*). At the same time, conducted exploration drilling in the central part of the block 3 area and found mineralization traces. This area requires further delineation drilling.
- Submitted a preliminary resource estimate for the southwestern corner of the block 3 area to government authorities on July 10, 2010. The report was prepared for Inkai by Volkovgeology. Under Kazakhstan regulations, if a potential commercial discovery is declared, a preliminary resource estimate must be prepared for at least a portion of the related area to support the claim. Kazakhstan government authorities such as the State Reserve Committee are still reviewing the report.

- Drilled the southwestern part of block 3 from October to December 2010, using progressively tightening drilling grids (from 800 x 50 metres to 200 x 50 metres) to delineate mineralization for the Kazakhstan C1 resource category (equivalent to *indicated resources*).
- Conducted hydrogeological testing work, including aquifer pumping tests (two wall and multiwall) at two separate sites, to establish the hydrogeological characteristics of the aquifers hosting mineralization, and their relationship to the surrounding aquitards and other aquifers. These characteristics are important for the ISR mining.
- Results of exploration and delineation:
  - traced the presence of mineralization throughout block 3 with greater certainty. There was a significant increase in the extent of mineralization in many places, especially in the Inkuduk horizon compared to results of predecessors, which were based on sparser historical drilling grids.
  - encountered more complex morphology of the mineralized zones, particularly in the Mynkuduk horizon and along the southern border of block 3
  - used the mineralization delineation from 800 x 50 metre drilling grids in block 3 to form resource estimate blocks for the Kazakhstan C2 resource category for most of the area covered. Additional drilling is needed to close off mineralization zones and better define their morphology and continuity.

Sampling and analysis

Sampling

- Detailed sampling procedures guide the sampling interval within the mineralization. Holes are drilled on progressively tightening grids: 3.2 to 1.6 kilometres x 200-50 metres, 800-400 metres x 200-50 metres and 200-100 metres x 50-25 metres. When core recoveries are higher than 70% and radioactivity greater than 40 micro-roentgen per hour, core samples are taken at irregular intervals of 0.2 to 1.2 metres. Sample intervals are also differentiated by barren or low permeability material.
- The drillholes are nearly vertical and the mineralized horizons are almost horizontal, so the mineralized intercepts represent the true thickness of the mineralization.
- Inkai's geophysical crews survey the drillholes, logging radiometric, electrical (spontaneous potential and resistivity), caliper and deviation data. For greater accuracy, they collect downhole data only from open or uncased holes.
- Sampling is done sectionally from half of the core, which is divided along its axis and cleared from the clay envelope. The average core sample length is 0.4 metres.
- The split core is tested for grainsize and carbonate content.
- Since gamma probing of the drillholes is used to estimate mineral resources, assays from core sampling are used only when core recovery is at least 70%, for correlation.
- Core recovery is generally considered to be acceptable given the unconsolidated state of the mineralized material.

Analysis

We carried out a data verification process to validate the historic Kazakh mineral resource and reserve estimate. This included:

- studying and coding all 1,294 drillholes on the Volkovgeology cross sections
- sampling and assaying all drillhole core that could be recovered for uranium and radium content (and according to the drill logs, this recovery was very good)
- recording the location of each sample and its assay results on the drillhole log (referred to as a passport).

Quality control

- One of our geoscientists has witnessed core handling, logging and sampling used at the Inkai mine and considers the methodologies to be very satisfactory and the results representative and reliable.
- Geologists with Inkai, Volkovgeology, the State Reserves Commission and Cameco, have validated the current database a number of times. Our geologists consider it relevant and reliable.
- The findings are supported by results of the leach tests on block 2, and recent production, drilling results and exploration drilling in block 3.
- The exchange of digital drillhole information between Inkai and us is very good. All information is available for our review.

Sample security

Inkai's current sampling process follows the strict regulations imposed by the Kazakhstan government, and include the highest level of security measures, quality assurance and quality control. We have not been able to locate the documents describing sample security for historic Kazakhstan exploration on blocks 1, 2 and 3, but we believe the security measures taken to store and ship samples were of the same high quality.

Accuracy

We consider the historic Kazakhstan exploration data adequate for estimating mineral reserves and resources, based on the 2003 and 2007 validation of Kazakhstan estimated uranium reserves for blocks 1 and 2 (see *sampling and analysis*). We consider the exploration data from Inkai's exploration program at block 3 reliable for estimating mineral reserves and resources.

Mineral reserve and resource estimates

Please see page 67 for our mineral reserve and resource estimates for Inkai.

Uranium — development project



Cigar Lake

Cigar Lake is the world's second largest high-grade uranium deposit, with grades that are 100 times the world average. We are a 50% owner and the mine operator, and expect the operation to use available capacity at our Rabbit Lake mill.

Cigar Lake, which is being developed, is one of our three material uranium properties.

Location	Saskatchewan, Canada
Ownership	50.025%
End product	U_3O_8
Deposit type	underground
Estimated mineral reserves (our share)	104.7 million pounds (proven and probable) average grade U_3O_8 — 17.04%
Estimated mineral resources (our share)	0.6 million pounds (measured and indicated) average grade U_3O_8 — 2.27% 66.8 million pounds (inferred) average grade U_3O_8 — 12.61%
Mining method	jet boring
Target production date	mid-2013
Target annual production (our share)	9 million pounds after rampup
Estimated mine life	15 years (based on current reserves)
Estimated decommissioning cost	$27.7 million (to the end of construction)

Business structure

Cigar Lake is owned by a joint venture of four companies:

- Cameco — 50.025% (operator)
- AREVA Resources Canada Inc. (Areva) — 37.1%
- Idemitsu Canada Resources Ltd. (Idemitsu) — 7.875%
- TEPCO Resources Inc. (TEPCO) — 5.0%

History

1976	• Canadian Kelvin Resources and Asamera Oil Corporation form an exploration joint venture, which includes the lands that the Cigar Lake mine is being built on
1977	• Saskatchewan Mining Development Corporation (SMDC), one of our predecessor companies, acquires a 50% interest
1980	• Waterbury Lake joint venture formed, includes lands now called Cigar Lake
1981	• Deposit discovered by surface drilling — it was delineated by a surface drilling program between 1982 and 1986
1985	• Reorganization of the Waterbury Lake joint venture — Cigar Lake Mining Corporation becomes the operator of the Cigar Lake lands and a predecessor to Areva becomes the operator of the remaining Waterbury Lands
	• SMDC has a 50.75% interest
1987-1992	• Test mining, including sinking shaft 1 to 500 metres and lateral development on 420 metre, 465 metre and 480 metre levels
1988	• Eldorado Resources Limited merges with SMDC to form Cameco
1993-1997	• Canadian and Saskatchewan governments authorize the project to proceed to regulatory licensing stage, based on recommendation of the joint federal-provincial panel after public hearings on the project's environmental impact
2000	• Jet boring mining system tested in waste and frozen ore
2001	• Joint venture approves a feasibility study and detailed engineering begins in June
2002	• Joint venture is reorganized, new joint venture agreement is signed, Rabbit Lake and JEB toll milling agreements are signed, and we replace Cigar Lake Mining Corporation as Cigar Lake operator
2004	• Environmental assessment process is complete
	• CNSC issues a construction licence
2005	• Development begins in January
2006	• Two water inflow incidents delay development:
	• in April, shaft 2 (which is under construction) floods
	• in October, underground development areas flood
	• In November, we begin work to remediate the underground development areas
2008	• Remediation interrupted by another inflow in August, preventing the mine from being dewatered
2009	• Remediation of shaft 2 completed in May
	• We seal the 2008 inflow in October
2010	• We finish dewatering the underground development areas in February, and establish safe access to the 480 metre level, the main working level of the mine
	• We substantially complete cleanup, inspection, assessment and securing of underground development and resume underground development in the south end of the mine

Technical report

This project description is based on the project's technical report: *Cigar Lake Project, Northern Saskatchewan, Canada,* dated March 31, 2010 (effective December 31, 2009) except for some updates that reflect developments since the technical report was published.

All conclusions, projections and estimates in this description are based on the qualifications, assumptions and exclusions in the technical report. We recommend you read it in its entirety to fully understand the project. You can download a copy from SEDAR (sedar.com) or from EDGAR (sec.gov).

The report was prepared for us in compliance with NI 43-101, by or under the supervision of C. Scott Bishop, P. Eng, Grant J.H. Goddard, P. Eng., Alain G. Mainville, P. Geo, and Lorne D. Schwartz, P. Eng. They are all *qualified persons* within the meaning of NI 43-101, but are not independent of us.

For information about uranium sales see pages 10 and 11, environmental matters see *Sustainable development* starting on page 76, and taxes see page 90.

For a description of royalties payable to the province of Saskatchewan on the sale of uranium extracted from orebodies within the province, see page 89.

Later this year, we plan to issue a new technical report for Cigar Lake. In the report, we will update the Cigar Lake capital cost estimate and certain other estimates, such as our production forecast, to reflect developments since the issuance of the March 2010 technical report, including our decision to proceed with the surface freeze strategy.

About the property

Location

Near Waterbury Lake, 660 kilometres north of Saskatoon. The mine site is four kilometres long, running north to south and six kilometres wide, running east and west.

Accessibility

Access to the property is by an all-weather road and by air. Supplies are transported by truck from Saskatoon and elsewhere. There is an unpaved airstrip and air terminal east of the mine site.

Saskatoon, a major population centre south of the Cigar Lake deposit, has highway and air links to the rest of North America.

Leases

Surface lease

We acquired the right to use and occupy the lands necessary to mine the deposit under a surface lease agreement with the province of Saskatchewan. The lease covers 984 hectares and expires in May 2037.

We are required to report annually on the status of the environment, land development and progress on northern employment and business development.

We are in discussions with the province to increase the number of hectares the lease covers. The increase is necessary to implement the proposed discharge of treated effluent to Seru Bay at nearby Waterbury Lake (see page 53).

The Cigar Lake airstrip is under a separate surface lease with the province. The lease covers a total of 17.2 hectares. It expires in May 2028.

Mineral lease

We have the right to mine the deposit under ML-5521, granted to us by the province of Saskatchewan. The lease covers 308 hectares and expires December 1, 2011. We have the right to renew the lease for further 10-year terms.

Mineral claims

A mineral claim gives us the right to explore for minerals and to apply for a mineral lease. There are 25 mineral claims (Nos. S-106540 to 106564), totalling 92,740 hectares, adjoining the mineral lease and surrounding the site. We have title to all of these claims until 2022.

Climate

The climate is typical of the continental sub-arctic region of northern Saskatchewan. Summers are short and cool even though daily temperatures can sometimes reach above 30°C. The mean daily temperature for the coldest month is below -20°C, and winter daily temperatures can reach below - -40°C.

Setting

The deposit is 40 kilometres inside the eastern edge of the Athabasca basin in northern Saskatchewan. The topography and environment are typical of the taiga forested lands in the Athabasca basin. This area is covered with 30 to 50 metres of overburden. Vegetation is dominated by black spruce and jack pine. There is a lake above the portion of the deposit that has inferred resources.

Geology

The deposit is at the unconformity contact between rock of the Athabasca Group and underlying lower Proterozoic Wollaston Group metasedimentary rocks. The Key Lake, McClean Lake and Collins Bay deposits all have a similar structural setting. While Cigar Lake shares many similarities with these deposits (general structural setting, mineralogy, geochemistry, host rock association and the age of the mineralization), it is distinguished from other similar deposits by its size, very high grade, and the high degree of clay alteration.

Cigar Lake's geological setting is similar to McArthur River's: the sandstone that overlays the deposit and basement rocks is water-bearing, with large volumes of water at significant pressure. Unlike McArthur River, however, the deposit lays flat.

Mineralization

The Cigar Lake deposit is 1,950 metres long, 20 to 100 metres wide, and ranges up to 12 metres thick, with an average thickness of 4.9 metres. It occurs at depths ranging between 410 to 450 metres below the surface.

The deposit has three distinct styles of mineralization:

- high-grade mineralization at the unconformity
- fracture controlled, vein-like mineralization higher up in the sandstone
- fracture controlled, vein-like mineralization in the basement rock.

Most of the uranium metal is in the high-grade mineralization, which has massive clays and high-grade uranium concentrations. It is economically viable, considering the available mining methods and ground conditions.

The deposit consists mainly of three dominant rock and mineral facies in varying proportions: quartz, clay (primarily chlorite with lesser illite) and metallic minerals (oxides, arsenides, sulphides). In the eastern part of the deposit, the ore is 50% clay matrix, 20% quartz and 30% metallic minerals, visually estimated by volume, overlain by a very weak mineralized clay cap one to five metres thick. In the lower-grade western part of the deposit, the proportion changes to 20% clay, 60% quartz and 20% metallic minerals.

About the operation

Cigar Lake is a development project with sufficient surface rights (subject to a requested increase receiving regulatory approvals) to meet future mining operation needs for the current mineral reserves.

Permits

Please see page 52 for more information about regulatory approvals for Cigar Lake.

Infrastructure

The surface facilities are 490 metres above sea level. The site includes:

- an underground mine with one shaft constructed and one shaft under construction
- waste rock stockpile
- ore slurry load out building
- contingency ponds
- water treatment ponds
- water treatment plant
- construction camp
- freeze plant
- sewage lagoon
- an employee residence.

Except for the increase described on page 44, the current surface lease is sufficient to accommodate personnel, access to water, airport, site roads and other necessary buildings and infrastructure.

The underground workings are confined to a small portion of the area of the mineral lease, where initial test mining was concentrated.

Water, power and heat

Waterbury Lake, which is nearby, provides water for the industrial activities and the camp. The site is connected to the provincial electricity grid, and it has standby generators in case there is an interruption in grid power.

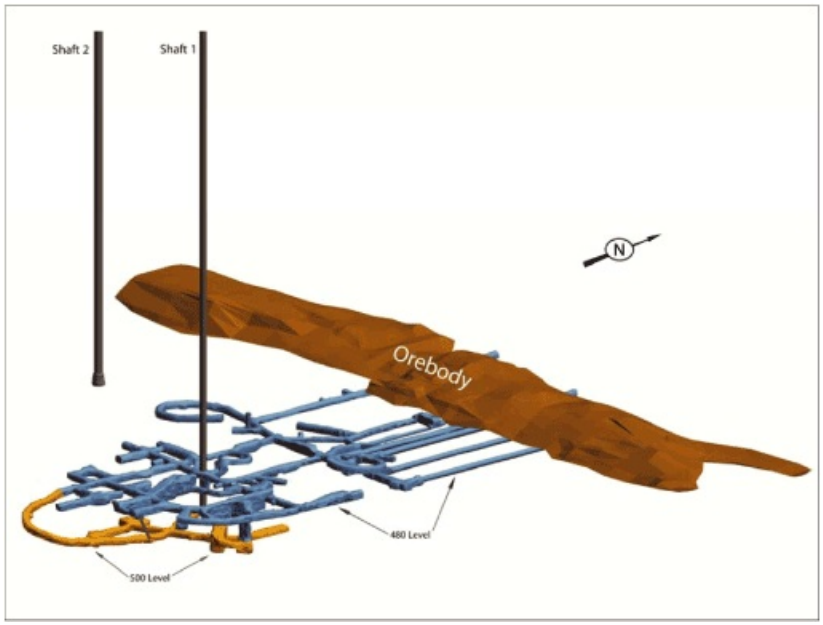
Cigar Lake operates throughout the year despite cold winter conditions. During the winter, we use propane-fired burners to heat the fresh air necessary to ventilate the underground workings.

Employees

Employees are recruited first from communities in the area and then from major Saskatchewan population centres, like Saskatoon.

Mining method

We will use a number of innovative methods and techniques to mine the Cigar Lake deposit.



Bulk freezing

The sandstone that overlays the deposit and basement rocks is water-bearing, with large volumes of water under significant pressure. We will freeze the ore zone and surrounding rock in the area to be mined, to prevent water from entering the mine and to help stabilize weak rock formations.

In the past, bulk freezing has been done from underground. In 2010, however, we tested and began to implement an innovative surface freeze strategy, which we expect will provide the following benefits:

- reduce risk to the production schedule by advancing the availability of frozen ground and simplifying construction activities underground by moving some of the related freezing infrastructure to surface
- move up to 10 million pounds forward in the production schedule

- improve mining costs and economics of the project.

We expect the capital cost for surface freezing will be $80 to $85 million (100% basis). Our plan is to use a hybrid freezing approach. We will use surface freezing to shorten the rampup period and underground freezing for the longer term development of the mine.

Jet boring

After many years of test mining, we selected jet boring, a non-entry mining method, which we have developed and adapted specifically for this deposit. This method is new to the uranium mining industry. Overall, our initial test program was a success and met all initial objectives. This method, however, has not been proven at full production. As we ramp up production, there may be some technical challenges, which could affect our production plans.

Jet boring involves cutting cavities with a diameter of 4.5 metres out of the frozen ore using a high pressure water jet. This is a non-entry method, which means mining is carried out from headings in the basement rock below, so employees are not exposed to the orebody.

This mining approach is highly effective at managing the radiation levels workers are exposed to. Combined with ground freezing and cutting collection systems, jet boring reduces radiation exposure to acceptable levels that are below regulatory limits.

We plan to procure additional equipment for the jet boring system in 2011.

Processing

Cigar Lake ore slurry will be processed in two steps:

High density ore slurry — The ore slurry produced by the jet boring mining system will be pumped to Cigar Lake's underground crushing and grinding facility. The resulting finely ground, high density ore slurry will be pumped to surface storage tanks, thickened and loaded into truck mounted containers like the ones we use at McArthur River.

Processing — The containers of ore slurry will be trucked initially to Areva's McClean Lake JEB mill, 70 kilometres to the northeast. After production ramps up to planned full capacity, the JEB mill will ship a portion of the uranium solution to the Rabbit Lake mill for processing. These arrangements are described in two tolling mill agreements (see page 51).

Tailings

Cigar Lake site will not have a tailings management facility. The ore will be processed at the McClean Lake JEB and Rabbit Lake mills.

Waste

The waste rock piles are separated into three categories:

- clean rock (two piles) — will remain on the minesite
- mineralized waste (>0.03% U_3O_8) — will be disposed of underground at the Cigar Lake mine. We have not identified any mineralized waste in development to date.
- waste with acid-generating potential — temporarily stored on engineered lined pads. It will be transported to the McClean Lake facility for permanent disposal.

Water discharged from the mine is currently treated and released to Aline Creek. We have applied for approval to change the discharge location to Seru Bay (see page 53).

Production

We updated the mining plan after the two mine in-flows, and expect production to start in mid-2013. The plan is designed to extract all of the current mineral reserves. The following is a general summary of the production schedule guideline and parameters:

Total mill production	• 206.1 million pounds of U_3O_8, based on an overall milling recovery of 98.5%
	• 18 million pounds per year after a three-year ramp-up (less than this in the early and late years of the current mineral reserve life)
Total mine production	• 557,000 thousand tonnes of ore
Average annual mine production	• 100 to 140 tonnes per day during peak production, depending on ore grade
Average mill feed grade	• 17% U_3O_8

To meet our production schedule, the ground has to be fully frozen in the area being mined before we start jet boring mining.

We have divided the orebody into production panels, and will have one jet boring mining unit operating in a panel. At least four production panels need to be frozen at one time to achieve the full production rate of 18 million pounds U_3O_8 per year.

Our base case production schedule assumed all ground freezing was done from underground. We are, however, implementing a surface freeze strategy, which is described on page 46.

Payback

In the March 2010 technical report, we estimated payback, on an undiscounted pre-tax basis, in 2017. This did not include all 2009 and prior costs.

Costs

In the March 2010 technical report, we estimated our share of costs as follows:

Capital	$912 million in capital for Cigar Lake
	• $405 million already spent on construction and mill modification, *plus*
	• $507 million still to come
Sustaining capital	$226 million
	• for Cigar Lake and Rabbit Lake (not including the cost to increase the taililngs capacity at Rabbit Lake. Please see page 27 for details.)
Remediation	$93 million
	• $64 million already spent and expensed (2006 to 2009), *plus*
	• $29 million still to come

The above capital cost estimate does not include our share of the estimated cost of $80 to $85 million to proceed with our surface freeze strategy.

As of December 31, 2010, we had:

- invested $492 million for our share of the construction costs to develop Cigar Lake
- invested $262 million related to test mining and infrastructure development (prior to our 2005 development decision)
- expensed $81 million in remediation expenses, including $17 million in 2010.

We will update our estimated share of the Cigar Lake costs and other estimates, such as payback and our production schedule, when we issue a new technical report for Cigar Lake, which is planned for later in the year.

Forecasts of costs, production, mine life and payback are forward-looking information, and are based specifically on the assumptions and risks listed below, and the assumptions and the material risks discussed on page 2.

Assumptions

- natural phenomena, an equipment failure or other causes do not result in a material delay or disruption of our plans
- there are no additional water inflows
- the seals or plugs used for previous water inflows do not fail
- there are no labour disputes or shortages
- we obtain contractors, equipment, operating parts, supplies, regulatory permits and approvals when we need them
- our mine plans are achieved, our processing plants are available and function as designed, sufficient tailings capacity is available and our mineral reserve estimates are accurate

Material risks

- an unexpected geological, hydrological or underground condition, such as an additional water inflow, further delays our progress
- we cannot obtain or maintain the necessary regulatory permits or approvals
- natural phenomena, labour disputes, equipment failure, delay in obtaining the required contractors, equipment, operating parts or supplies, or other reasons cause a material delay or disruption in our plans
- our mining plans change or do not succeed, our processing plants are not available or do not function as designed, sufficient tailings capacity is not available and our mineral reserve estimates are not accurate

Assurance of success program

We adopted an *assurance of success* program for Cigar Lake that uses risk-based quality assurance planning. This involves carrying out a thorough assessment of the risks of all principal processes before implementation, with a goal of making sure we understand all risks, have measures in place to mitigate them, and alternatives to address all risks that cannot be fully mitigated. As the project is developed, we systematically monitor and evaluate any changes or conditions that we did not anticipate in our original plan, assess the new risks, and then update the plan.

Reclamation and financial assurances

In 2002, our *preliminary decommissioning plan* for Cigar Lake was approved by the CNSC and the Saskatchewan Ministry of Environment. We revised this plan and the accompanying *preliminary decommissioning cost estimate* when we renewed our federal licence in 2008. These documents include our estimated decommissioning costs up to the end of the construction of the mining facility.

We, along with our joint venture partners, posted letters of credit as financial assurances with the Saskatchewan Ministry of Environment in the amount of $27.7 million, to cover these costs.

Once mining begins, we will review the plan and cost estimate and update them to account for changes in our decommissioning liabilities.

The reclamation and remediation activities associated with waste rock and tailings at the McClean Lake and Rabbit Lake facilities are covered by the plans and cost estimates for each of those facilities.

Water inflow and mine rehabilitation

April 5, 2006 inflow

- A faulty valve assembly on a grouting standpipe at the base of shaft 2 caused a water inflow. The shaft flooded and we stopped all activities.
- Flooding did not go beyond the shaft because it was under construction and not connected to the mine.
- We finished dewatering and completed remediating the shaft in the first half of 2009.
- We prepared the ground around the shaft in 2010 for freezing in preparation to resume shaft sinking.

October 23, 2006 inflow

- A rock fall caused a significant water inflow that flooded the mine. We stopped all underground activities.
- We developed, and began to carry out, a multi-phase remediation plan to restore the underground workings. As we carried out the plan, it was refined.

- We drilled holes from the surface to the source of the inflow, and to a nearby tunnel that had to be reinforced. We pumped concrete and grout through the drillholes to seal off the inflow, and then drilled dewatering holes and began dewatering the mine in July 2008.

August 12, 2008 inflow

- We dewatered shaft 1, which was connected to the flooded mine, down to 430 metres below the surface.
- We observed an increase in the rate of water inflow and temporarily suspended remediation.
- We later identified the source of the increase to be a fissure in a tunnel on the 420 metre level.
- We sealed the inflow in October 2009 by placing an inflatable seal between the shaft and the source of the inflow and filling the area behind the seal with concrete and grout.
- Crews entered shaft 1 in November 2009 and began refurbishing the shaft, installing the ladderway, replacing mechanical and electrical components and extending the in-shaft pumping system.
- We finished dewatering in February 2010 and established safe access to the 480 metre level, the main working level of the mine.
- By the end of the 2010, we had:
  - substantially completed our cleanup, inspection and assessment, and secured the underground development areas
  - begun to restore the underground mine systems and infrastructure to prepare them for construction
  - made progress on remediating the underground brine handling system to support freezing the orebody and shaft 2
  - increased the installed pumping capacity
  - re-established the permanent refuge stations and communications
  - resumed underground development in the south end of the mine
  - backfilled the 465 metre level, which has been abandoned because it is no longer part of our mine plan
  - installed a permanent bulkhead and filled the entire 420 metre level with concrete backfill. This level was abandoned because it is no longer part of our mine plan.

Rehabilitating the mine

Remaining underground work includes completing specific areas of mine remediation, sinking shaft 2, completing the brine system freezing infrastructure, an ore freezing program, an underground ore extraction system and an ore processing circuit, and mine development.

Securing the mine

This work is substantially complete. It involves inspecting the mine and completing any additional remedial work to protect it from an inflow or significant ground failure (for example, determining if additional reinforcement is required in higher risk areas). The objective is to complete the work to secure the mine in 2011.

Rehabilitating the underground

We will rehabilitate the remaining lower priority areas of the mine (including 480 and 500 metre levels) and re-establish the full mine ventilation circuits. This will include:

- re-establishing the underground orebody freezing program. We also are implementing our surface freeze strategy to accelerate our plans to mine the orebody.
- completing the shaft 2 freezing program
- preparing areas for construction and development.

Construction

Once the mine is secured, the underground rehabilitation program has progressed significantly and regulatory requirements are met, we will resume underground construction.

Completing shaft 2

We plan to complete shaft 2 by 2012, taking the following steps:

- refurbishing the main areas of the underground mine
- sinking the shaft from the current shaft bottom (392 metres) to its final depth of 500 metres — to be completed in 2011

- installing a hydrostatic liner from the 392 metre to the 480 metre level
- establishing a shaft station at the 480 metre level
- installing shaft furnishings in the fresh air compartment.

Increase pumping capacity

In 2010, we increased our pumping capacity to meet our standard for this project, which is to secure pumping capacity of at least one and a half times the estimated maximum inflow.

We believe we have sufficient pumping, water treatment and surface storage capacity to handle the estimated maximum inflow.

In 2009, we received interim approval to release up to 1,100 m^3/hr of treated water in non-routine circumstances, to accommodate remediation activities in the mine while the Cigar Lake water management project environmental assessment process is advancing. We will be working to obtain approval of this environmental assessment in 2011.

Surface construction

We completed several surface facilities by the end of 2010. Surface construction at Cigar Lake is 50% complete. Important surface construction still remaining includes the Waterbury Centre (new administration/services building), the Seru Bay pipeline, surface ore process facilities, completing the new propane tank farm, 138 kilovolt electrical substation expansion and a permanent camp expansion.

Capital construction

The capital construction project was 60% complete just before the inflow on October 23, 2006, based on the previous mine design. We now estimate that the underground development necessary to start production is 50% complete, based on the revised mine plan.

Toll milling agreements

Milling the slurry from the Cigar Lake mine is a two-step process:

- processing the ore slurry into JEB uranium solution
- processing the JEB uranium solution into uranium concentrates.

McClean Lake and Rabbit Lake mills will carry out this work according to the terms of two toll milling agreements.

McClean Lake JEB toll milling agreement

The McClean Lake joint venture has agreed to process Cigar Lake's ore slurry at its McClean Lake JEB mill, according to the terms in its agreement with the Cigar Lake joint venture: *JEB toll milling agreement* (effective January 1, 2002).

The Cigar Lake joint venture will pay toll milling charges as follows:

- its share of milling expenses
- a toll milling fee based on the type of ore being processed (phase 1(a), phase 1(b) or phase 2).

In certain circumstances, the Cigar Lake joint venture may also be required to pay standby costs. Standby costs of $12 million were paid in 2010 with the JEB mill placed in a care and maintenance mode in July 2010. We estimate further standby costs to be $35 million. These costs will be expensed as incurred, and are not included in the project's capital cost.

Under this agreement, the McClean Lake joint venture is required to modify the JEB mill. It has almost completed the modifications necessary for processing the slurry. We expect it will complete the rest of the modifications in 2013, except for the construction of the uranium solution loading facility, which we expect it will complete in 2015.

The McClean Lake joint venture is responsible for all costs of decommissioning the JEB mill. As well, the joint venture is responsible for the liabilities associated with tailings produced from processing Cigar Lake ore at the JEB mill.

Rabbit Lake toll milling agreement

We have agreed to process a portion of the JEB uranium solution at our Rabbit Lake mill, according to the terms in our *Rabbit Lake toll milling agreement* with Cigar Lake joint venture (effective January 1, 2002).

The Cigar Lake joint venture will pay toll milling charges as follows:

- its share of milling expenses
- a toll milling fee based on the type of ore being processed (phase 1(a), phase 1(b)).

In certain circumstances, the Cigar Lake joint venture may also be required to pay us standby costs. At the moment, we do not expect any to be payable.

Under this agreement, we are required to modify the Rabbit Lake mill, and have set the following target dates:

- 2011 — begin detailed study of Rabbit Lake mill modifications
- 2012 — begin detailed design of mill modifications
- 2014 — complete required transportation infrastructure
- 2015 — complete a uranium solution receiving station and associated handling equipment.

We expect to pay the majority of the modification costs, either in our capacity as mill owner or as 50.025% Cigar Lake joint venture participant.

We are responsible for all costs of decommissioning the Rabbit Lake mill, and for the liabilities associated with tailings produced from processing JEB uranium solution at the Rabbit Lake mill.

Division of work

The work will be divided between the two mills based on phases.

Phase 1 ore — Cigar Lake's current mineral reserves

Processing the ore slurry from Cigar Lake into JEB uranium solution

The McClean Lake mill will process 100%.

Processing the JEB uranium solution into uranium concentrates

The McClean Lake mill will process 100% of the JEB uranium solution until the later of:

- the end of the initial rampup period of 730 days (the period starts after the testing and commissioning)
- the day it finishes processing over 2.5 million pounds of uranium concentrates over a period of three consecutive months.

After that, Cigar Lake processing of JEB uranium solution into uranium concentrates will be allocated between the McClean Lake and Rabbit Lake mills based on the following categories:

Category	Percent of JEB uranium solution processed
Phase 1 (a) ore the first 160 million pounds of uranium concentrates produced by McClean Lake and Rabbit Lake (in total)	McClean Lake — at least 42.7% Rabbit Lake — up to 57.3%
Phase 1(b) ore the rest of the phase 1 ore (47 million pounds)	McClean Lake — 50% Rabbit Lake — 50%

Phase 2 ore — Cigar Lake's current inferred mineral resources

McClean Lake will process 100%.

The inferred mineral resources have been evaluated from a preliminary perspective only. Further drilling and mining studies are needed before these resources can be fully evaluated and a decision made whether to proceed to mine them.

Regulatory approvals

Environmental assessment

- In 1995, the *Cigar Lake Project, Environmental Impact Statement* was submitted to the Joint Federal-Provincial review panel on Uranium Mining Developments in Northern Saskatchewan.

- In 1997, the panel recommended that the project should proceed, pending identification of a suitable waste rock disposal location.
- The Canadian and Saskatchewan governments both accepted the panel's recommendation and in 1998 both government bodies approved the project in principle.
- In February 2004, we submitted an environmental assessment study report for the Cigar Lake mine plan. The CNSC agreed that this report met the requirements of the *Canadian Environment Assessment Act* and approved proceeding with the licensing and permitting process.

Construction licence

- The CNSC issued a construction licence in December 2004.
- With water inflows in 2006 and 2008, the CNSC has twice extended the licence term. It now expires on December 31, 2013. The second extension was provided to give us time to complete mine construction, including remediation, sinking shaft 2 and surface construction.
- As part of our construction licence, we need additional regulatory approvals to complete remediation and resume pre-flood underground construction and development activities.
- The licence also contains a condition that the revised mine plan requires regulatory approval. We are working to obtain this approval in 2011.

Operating licence

While we are completing mine construction, we will be preparing an operating licence application for submission to the CNSC. This licencing process can proceed while construction is being completed.

Processing licences

- An amendment is required to the McClean Lake JEB mill licence to process Cigar Lake ore at the McClean Lake JEB mill. We do not anticipate any issues with the licence amendment. In 1997, the environmental impact statement for this processing was approved.
- In August 2008, we completed the environmental assessment process for processing the Cigar Lake solution at the Rabbit Lake mill. See page 27 for more information.
- With extensions to the Rabbit Lake mine life, we are planning to expand Rabbit Lake tailings capacity. Regulatory approval is required.
- An amendment is required to the Rabbit Lake mill licence to process Cigar Lake uranium solution at the Rabbit Lake mill. We do not anticipate any issues with the licence amendment.

Water treatment/effluent discharge system

- We designed the Cigar Lake system for both routine and non-routine water treatment and effluent discharge, and it has been approved and licensed by the CNSC and the Saskatchewan Ministry of Environment.
- We want to manage the potentially higher water inflow we may see during construction and operations by building infrastructure that will allow us to discharge treated water directly to Seru Bay of Waterbury Lake. Our application in 2008 to the CNSC in respect of this infrastructure has triggered a joint federal and provincial environmental assessment screening under the *Canadian Environment Assessment Act,* which is underway. We anticipate an assessment decision in 2011, and have interim approvals and measures in place to increase discharge to the Aline Creek system if we need to.

Exploration, drilling and estimates

The Cigar Lake uranium deposit was discovered in 1981 by surface exploration drilling.

We focus most of our exploration activities on mineral lease ML-5521. Areva is responsible for exploration activity on the 25 surrounding claims, which is minimal.

The data from the exploration program on the 25 mineral claims is not part of the database used for the estimate of the mineral resources and mineral reserves at Cigar Lake.

Surface drilling — mineral lease

A total of 319 surface holes have been drilled over 132,084 metres. 141 of these were drilled within the known

deposit limits and intersected minimum composite intervals with grade times thickness (GT) value greater than 3.0 metre % U_3O_8, equivalent to 2.5 metres at 1.2% U_3O_8.

1982 — 1986	A major surface drilling program delineated the deposit
1987 — 2002	Drilling for geotechnical and infill holes
2007 — 2009	51 holes drilled for various geotechnical and geophysical programs
2010	35 holes drilled over Phase 1 of the deposit and 6 holes drilled over Phase 2 of the deposit

Surface drilling — mineral claims

In 2006, exploration drilling confirmed the existence of unconformity style mineralization outside the mineral lease, 650 metres east of Phase 1 mineralization.

Since then, additional exploration in the area delineated a mineralized zone 210 metres in strike length and 30 metres in across-strike length.

Underground drilling

Diamond drilling from underground was mainly to determine the rock mass characteristics of both ore and waste rock before development and mining.

1989 — 2006	132 underground diamond drillholes were drilled, over 11,108 metres. Only 10 of these intersected the orebody. A total of 347 freeze and temperature monitoring holes were drilled from the underground workings during the construction phase. 150 of these were gamma surveyed by radiometric probing. Due to the drilling method for freeze holes, no core is available for assays. Uranium content is estimated by radiometric probing of the holes. We plan to drill several core holes and use them for calibration, to reconfirm the current conversion factors for estimating uranium grade from the freezehole radiometrics.
2007 — 2009	There was no underground drilling because of flooding.
2010	34 holes were drilled underground totalling 2,833 metres. None intersected the orebody. 6 of the 34 holes were drilled from inside Shaft 2, in advance of the top seal grout cover. 22 holes were drilled from the 480 metre level and the remaining 6 holes were drilled from the 500 metre level.

Sampling and analysis

Sampling

In the early stages of exploration drilling, sampling intervals were of various lengths, up to 50 centimetres, based on geological differences in the character of the mineralization.

Starting in 1983, sampling intervals were fixed at a standard interval of 50 centimetres. All sample results have since been normalized at 50 centimetres for estimating mineral resources.

Vertical surface drillholes generally represented the true thickness of the zone since the mineralization is flat.

Samples were drawn from two phases of the deposit:

Phase 1 — the eastern part (700 metres long by 150 metres wide)

- nominal drillhole fence spacing was 50 metres east-west by 20 metres north-south
- wedge drilling from primary holes generated intersections at 10 metres along three of the fences
- two infill fences were drilled at 25 metres apart, with holes at nominally 20 metres along the fences
- five holes were drilled at 25 metres apart, along the central east-west axis of the eastern zone

Phase 2 — the western part (1,200 metres long by 100 metres wide)

- nominal drillhole fence spacing was 200 metres east-west by 20 metres north-south

Two additional 50 centimetre samples were taken from the upper and lower contacts of the mineralized zone, to ensure that the zone was fully sampled at the 1,000 parts per million (0.1%) U_3O_8 cut-off.

All holes were core drilled and gamma probed. In-hole gamma surveys and hand held scintillometer surveys guided sampling of core for assay purposes.

Analysis

- More than 4,400 samples were assayed from surface and underground drilling.
- Starting in 1983, all drilling and sample procedures were standardized and documented. This gives us a high degree of confidence in the accuracy and reliability of results of all phases of the work.
- The entire core from each sample interval was taken for assay, except for some of the earliest sampling in 1981 and 1982. This reduced the sample bias inherent when splitting core.
- Underground drillholes were sampled and gamma probed to the same standards as the surface drillholes.
- Most of the underground drillholes were rotary holes for ground freezing, however, so no core was recovered. For these holes, we will rely on radiometric assays to determine grade to be used in future mineral resource and mineral reserve estimations.
- Chemical assays were used to determine grade in mineralized rock.
- Core recovery through the ore zone has generally been very good. Where necessary, uranium grade determination is supplemented by radiometric probing results.
- To estimate mineral resources and reserves when core recovery was less than 100%, the assayed value was assumed to be representative of the whole interval. Of the 2,612 assayed samples for Phase 1 mineralization, only 48 samples had recoveries of less than 75%.
- Sample composites were calculated by taking the weighted average for the mineralized intercept in each drillhole using a 1.0% U_3O_8 cut-off grade.

Width
- largest 11.5 metres
- smallest 0.5 metres
- average 5 metres

Assay
- highest 82.9% U_3O_8
- lowest 0.0% U_3O_8

Density
- highest 8.44 g/cm^3
- lowest 1.27 g/cm^3

Quality control

The quality assurance and quality control procedures were typical for the time. The original database was compiled by previous operators, and used to estimate the mineral resources and reserves. The majority of uranium assays in the database were obtained from Loring Laboratories Ltd. We have reviewed the original signed assay certificates.

More recent assaying at the Saskatchewan Research Council includes preparing and analysing standards, duplicates and blanks.

Sample security

We do not know what security measures were in place when the deposit was delineated, but we have no reason to doubt that sample security was maintained. Current core logging is carried out in the same facility used during the delineation drilling. It is well removed from the mine site and behind a locked entry gate, which prevents unauthorized access by road.

Accuracy

We are satisfied with the quality of data obtained from the exploration drilling program and consider it valid for estimating mineral resources and mineral reserves. Radiometrics of closely spaced underground freezehole drilling have also confirmed the continuity and high grades of the ore zone.

Mineral reserve and resource estimates

Please see page 67 for our mineral reserve and resource estimates for Cigar Lake.

Uranium — projects under evaluation

Kintyre

Kintyre, which we acquired with a partner in 2008, adds potential for low-cost production and diversifies our geographic reach and deposit types. We are the operator.

Location	Western Australia
Ownership	70%
End product	U_3O_8
Deposit type	open pit

Business structure

Kintyre is owned by two companies:

Cameco — 70%
Mitsubishi Development Pty Ltd. — 30%

History

In August 2008, we paid $346 million (US) to acquire a 70% interest in Kintyre.

See our 2010 MD&A for more information.

Uranium — projects under evaluation

Millennium

Millennium is a uranium deposit in northern Saskatchewan that we expect will use the mill at Key Lake. We are the operator.

Location	Saskatchewan, Canada
Ownership	42%
End product	U_3O_8
Deposit type	underground
Estimated mineral resources (our share)	21.4 million pounds (indicated) average grade U_3O_8 — 4.55% 4.3 million pounds (inferred) average grade U_3O_8 — 2.12%

Business structure

Millenium is owned by a joint venture of three companies:

- Cameco — 42% (operator)
- Areva — 38%
- JCU Exploration (Canada) Co. Ltd. — 30%

History

The Millennium deposit was discovered in 2000.

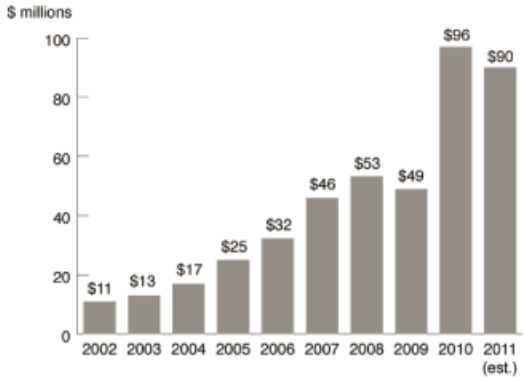
The deposit was delineated through geophysical survey and drilling work between 2000 and 2007.

See our 2010 MD&A for more information.

Exploration

Exploration is key to ensuring our long-term growth. Since 2002 we have more than tripled our annual investment.

Exploration and development spending



We carry out exploration mainly in Canada, the US, Australia, Mongolia, Kazakhstan and South America, on a total of 4.3 million hectares (10.6 million acres) at December 31, 2010.

Our exploration activities include brownfield exploration near our existing operations, on our projects under evaluation, on advanced exploration projects where uranium mineralization is being defined, regional exploration in new target areas, and alliances or other agreements with junior exploration companies that own potential uranium targets.

Brownfield exploration

In 2010, we spent $11 million in five brownfield exploration projects, and $48 million for resource delineation at Kintyre and Inkai block 3.

Regional exploration

In 2010, we spent about $37 million in regional exploration programs (including support costs). Saskatchewan was the largest region, followed by Australia, northern Canada, Asia, and South America.

We own a 30% interest in the Phoenix deposit, part of the Wheeler River joint venture in Saskatchewan, operated by 60% owner Denison Mines. In 2010, an initial estimate of 36 million pounds indicated mineral resources (100%) for zone A, the largest of four known mineralized zones of the deposit, was announced.

Plans for 2011

We plan to spend approximately $90 million on uranium exploration in 2011 as part of our long-term strategy. This includes activities at our projects under evaluation.

Brownfield exploration

About $9 million will be spent on five brownfield exploration projects in the Athabasca Basin and Australia. Our expenditures on projects under evaluation are expected to total $22 million, with the largest amounts spent on Kintyre and on further delineation of the Inkai block 3 resource.

Regional exploration

We expect to spend about $60 million on 54 projects worldwide, the majority of which are at drill target stage. Among the larger expenditures planned are $8 million on two adjacent projects in Nunavut, $5 million directed towards new targets in South Australia and Argentina, and a $4 million expenditure on the Wellington Range project in Northern Territory, Australia.

Fuel services — refining

Blind River refinery

Blind River is the world's largest commercial uranium refinery, refining U_3O_8 from mines around the world into UO_3.

Location	Ontario, Canada
Ownership	100%
End product	UO_3
ISO certification	ISO 14001 certified
Licensed capacity	approved: 18 million kgU as UO_3 per year application: 24 million kgU as UO_3 per year
2010 production	12.4 million kgU
Estimated decommissioning cost	$36 million

Markets

UO_3 is shipped to Port Hope for conversion into either UF_6 or UO_2, or to Springfields, UK for conversion into UF_6.

Production

Production of UO_3 in the first half of 2010 was negatively affected by a lack of uranium feed and impurity issues from the solvent extraction process which have since been resolved.

Inventory

Inventory of uranium concentrates has been declining compared to historic levels and continues to affect the facility's operating schedule. In the past, there was plenty of feedstock because customers stored large inventories at the facility. Customers now hold almost no inventory as concentrates, and provide the feedstock on a just-in-time basis. We manage production to match the delivery of uranium feed which could affect the supply of UO_3 feed to Port Hope.

Capacity

In the fall of 2008, the CNSC approved the environmental assessment required to increase production to 24 million kgU per year. In December 2008, we submitted a written request to the regulator for an amendment to the licence.

In 2011, we are starting the process to extend Blind River's five-year licence, and expect the process to be completed in 2012. As part of this process, we anticipate that the regulator will consider a licence amendment to increase production. Once approved, we plan to start construction to increase annual capacity to 24 million kgU per year.

Fuel services — conversion and fuel manufacturing

We control about 35% of western world UF_6 capacity.

Port Hope conversion services

Port Hope is the only uranium conversion facility in Canada, and one of only four in the western world. It is the only commercial supplier of UO_2 for Canadian-made Candu reactors.

Location	Ontario, Canada
Ownership	100%
End product	UF_6, UO_2
ISO certification	ISO 14001 certified
Licensed capacity	12.5 million kgU as UF_6 per year 2.8 million kgU as UO_2 per year
Estimated decommissioning cost	$96 million

Cameco Fuel Manufacturing Inc. (CFM)

CFM produces fuel bundles and reactor components for Candu reactors.

Location	Ontario, Canada
Ownership	100%
End product	Candu fuel bundles and components
ISO certification	ISO 9001 certified
Licensed capacity	1.2 million kgU as UO_2 as finished bundles
Estimated decommissioning cost	$18 million

Springfields Fuels Ltd. (SFL)

SFL is the world's newest conversion facility. We contract almost all of its capacity through a toll-processing agreement to 2016.

Location	Lancashire, UK
Toll-processing agreement	annual conversion of 5 million kgU as UO_3 to UF_6
Licensed capacity	6.0 million kgU as UF_6 per year

Port Hope, CFM and SFL produced a total of 15.4 million kilograms of uranium in 2010.

Conversion services

At its UO_2 plant, Port Hope produces UO_2 powder, which CFM uses to make fuel bundles that Canadian and other Candu reactors use for fuel, and blanket fuel for light water nuclear reactors.

At its UF_6 plant, Port Hope converts UO_3 to UF_6, and then ships it to enrichment plants in the United States, Europe and Japan. There, it is processed to become low enriched UF_6, converted to enriched UO_2, and then used as reactor fuel for light water nuclear reactors.

Shutdowns

In July 2007, we discovered soil and groundwater contamination under the Port Hope UF_6 plant. We suspended production of UF_6 and conducted an investigation. We restarted the UF_6 plant in late September 2008, after significantly upgrading the liquid management structures and equipment.

In November 2008, we suspended UF_6 production a second time because we weren't able to resolve a contract dispute and obtain hydrofluoric acid (HF) from our sole supplier on acceptable terms, and could not quickly source alternative supplies. HF is a primary feed material for the production of UF_6. We signed an agreement with our original HF supplier, and with two additional suppliers, and restarted production of UF_6 in June 2009.

Production at the UO_2 plant began in mid-January 2009, after it had been shut down for an extended planned maintenance period. We upgraded the floors and in-floor structures, and they now meet the standards of the UF_6 plant.

The UF_6 plant was shut down in the summer of 2010 for a maintenance period of three months.

Environment

In 2009, we completed a site-wide environmental investigation of subsurface contamination and a site-wide risk assessment to identify contaminants that could pose a potential risk to the environment. We used the results to develop an environmental management plan to mitigate potential risks. In 2010, we enhanced the plan by adding a number of groundwater retrieval wells.

Port Hope conversion facility cleanup and modernization (Vision 2010)

The federal Minister of Environment approved the environmental assessment guidelines in 2009 for Vision 2010, our project designed to clean up to appropriate levels and modernize the Port Hope facility. Work on the environmental assessment continues, with the draft environmental impact statement submitted to the regulator in December 2010. Once the assessment has been approved, we will apply for an amendment to Port Hope's licence. We have completed preliminary engineering and project design and now are working on basic engineering.

We have agreed to buy two parcels of land for a better site layout after Vision 2010 is complete.

10-year toll conversion agreement

In March 2005, we entered into a 10-year toll-conversion agreement with British Nuclear Fuels plc (BNFL), now Springfields Fuels Ltd. (SFL). Under the agreement, SFL has agreed to convert 5 million kilograms of UO_3 per year to UF_6. Our Blind River facility provides the UO_3, and we entered into several long-term contracts for significant volumes of conversion services provided under this agreement. We expect SFL's plant to remain in operation through 2016.

Fuel manufacturing

CFM's main business is making fuel bundles for Candu reactors. CFM presses UO_2 powder into pellets that are loaded into tubes, manufactured by CFM, and then assembled into fuel bundles. These bundles are ready to insert into a Candu reactor core.

Manufacturing services agreements

A substantial portion of CFM's business is the supply of fuel bundles to BPLP and BALP. We supply the UO_2 for these fuel bundles.

Electricity

Bruce Power Limited Partnership (BPLP)

BPLP leases and operates four Candu nuclear reactors that generate and sell electricity into the Ontario wholesale market. It has the capacity to provide about 15% of Ontario's electricity.

Location	Ontario, Canada
Ownership	31.6%
ISO certification	ISO 14001 certified
Expected reactor life	2018 to 2021
Term of lease	2018 — right to extend for up to 25 years
Generation capacity	3,260 MW

Business structure

BPLP, an Ontario limited partnership, is owned by:

- Cameco — 31.6%
  (through our wholly owned Canadian subsidiaries, Cameco Bruce Holdings Inc. and Cameco Bruce Holdings II Inc.)
- TransCanada PipeLines Limited — 31.6%
- Ontario Municipal Employees Retirement System Trust — 31.6%
- The Power Workers' Union and The Society of Energy Professionals — 5.2%

History

2001

- We acquire a 15% limited partnership interest in BPLP and become BPLP's fuel manager.
- BPLP enters into agreements with Ontario Power Generation Inc. (OPG) to lease and operate the Bruce A and B nuclear-powered units in southwestern Ontario. The initial lease period expires in 2018. BPLP can extend the lease for up to another 25 years.
- OPG retains ownership of the units, and responsibility for decommissioning and waste management.

2003

- British Energy plc sells its 79.8% limited partnership interest in BPLP to a consortium of companies, including us.
- After the transaction is completed, BPLP is owned: Cameco (31.6%), TransCanada PipeLines Limited (31.6%), an Ontario Municipal Employees Retirement System trust (31.6%), and The Power Workers' Union and The Society of Energy Professionals (5.2%).
- We continue as BPLP's fuel manager.

2005

- BPLP is restructured and announces a new arrangement with the Ontario government to increase output of the four Bruce A reactors, including by refurbishing and restarting two Bruce A reactors that had been removed from service. BALP is formed and subleases the four Bruce A reactors from BPLP.
- BPLP receives payment for the sublease, the assets it transfers to BALP under the sublease, and for Bruce A refurbishment costs already incurred.
- BPLP is responsible for the overall management of the Bruce site and continues to lease and operate the four Bruce B reactors.
- We maintain our 31.6% interest in BPLP and do not participate in BALP.
- BPLP pays a special distribution to its limited partners. We receive $200 million.

About the generating facilities

Location

250 kilometres northwest of Toronto on Lake Huron.

Infrastructure

- four Bruce B Candu reactors: commissioned between 1984 and 1987 and have a combined net generating capacity of 3,260 megawatts
- four Bruce A Candu reactors: commissioned between 1977 and 1979 and have a combined generating capacity of 3,000 megawatts. These were removed from service from 1995 and 1998. In 2003 and 2004, two of them were returned to service, and these have a combined net generating capacity of 1,500 megawatts. The Bruce A1 and A2 units are scheduled to start again in 2012.

Average capacity factor

91% in 2010, and 87% in 2009. We expect it to be 89% in 2011.

Average capacity factor is the amount of electricity the four Bruce B reactors actually produced for sale as a percentage of the amount they were capable of producing.

Capital expenditures

$111 million in 2010, and expected to be $80 million in 2011.

Employees

3,700 BPLP employees, mostly unionized. Employee costs are apportioned between BPLP and BALP.

About Candu technology

Candu is a pressurized-heavy-water natural-uranium power reactor designed in the 1960s by a consortium of Canadian government agencies and private industry. All commercial nuclear reactors in Canada use Candu technology.

Candu reactors are different from light water reactors in several ways:

- they are fuelled by natural uranium (UO_2)
- they use deuterium oxide, or heavy water, both to slow down the fission process and to transfer heat within the reactor
- they can be refuelled without being taken offline.

Despite their ability to be refueled at full power, the Bruce Candu reactors have a higher number of outage days per year than the average for light water reactors, mainly because of the time required for maintenance and repair of pressure tubes and feeders, which light water reactors do not use.

Shutdown systems

Every Bruce reactor has two physically separate and independent systems designed to shut down the reactor within two seconds from when the system is activated. The Bruce reactors also have an emergency core coolant injection system, which activates if a pipe breaks in the reactor coolant system, and a negative pressure containment system designed to safely contain radioactive material.

Unit power ratings

Before BPLP leased the Bruce reactors, studies revealed that emergency shutdown systems might not have sufficient safety margins for certain low probability events. As a result, the CNSC began limiting the four Bruce B units to operating at 90% of maximum power.

BPLP has had some success in addressing this issue, by reordering the fuel core for example, which has improved safety margins. In 2004, the CNSC approved the uprating of the Bruce B5, 6 and 7 units to up to 93% of maximum power. The Bruce B8 unit received this rating in March 2010.

BPLP is looking at other ways to address this issue, including modifying the reactor shutdown systems and making minor modifications to the existing fuel design.

BPLP believes the technical steps it is taking are sufficient to address the issue, but future derating is possible, including small deratings to maintain operating safety margins as the units age.

Operating life

The Bruce B nuclear units were initially expected to operate for 30 years.

Based on a testing program and the actual operating history of the units to date, BPLP estimates the units will operate until:

- 2021 for the Bruce B8 unit
- 2018 to 2019 for the other three B units.

BPLP is looking at whether it can demonstrate that longer operating life is possible for the units. It has also been assessing the condition and life expectancy of several of their key components, including steam generators, fuel channels and feeder pipes.

Steam generators

As of December 31, 2010, BPLP had inspected all of the Bruce B steam generators and determined their present condition with a reasonable degree of certainty. BPLP believes that all of the inner tubes in the steam generators are likely to degrade, and that periodic cleaning, repairs and internal modifications are necessary to slow down the rates of degradation and restore unit reliability. It is implementing a maintenance plan with the goal of keeping the steam generators operating for the expected life of the units. Current estimates of steam generator life are within the estimated operating lives of the units.

In 2003, inspections of the Bruce B8 unit identified some erosion on the support plates in three of the eight steam generators. BPLP repaired the damage and did not find any issues with the boiler tubes. It inspected the other units and did not find any similar issues, and follow-up inspections of the B8 unit did not show any further significant degradation. An inspection in 2009 confirmed that the mitigating actions appear to have been effective at stopping the erosion on these support plates.

Fuel channels

Past engineering assessments have indicated that the fuel channels will last until the end of the estimated operating lives for the Bruce B units, and current inspections support this. In 2001, BPLP began a maintenance program to reposition the support springs in the fuel channels to ensure life expectancy. The support springs in the Bruce B8 unit also need to be repositioned, but this unit has tight fitting garter springs. BPLP is developing new tooling to locate and move the springs, and is targeting implementation in 2012.

Feeder pipes

BPLP has carried out inspections to determine the condition of the feeder pipes in the Bruce B units. Feeder pipes are part of the system that transports the heat generated by the nuclear reactor to the steam generators, using the heavy water coolant. The feeder pipes in all Candu reactors thin and degrade to varying degrees, and this is the subject of industry studies and monitoring. The Bruce B units have degraded to a lesser extent than other Candu units. This difference is due to a combination of lower operating stresses and, to a limited extent, their output rating.

BPLP inspects for pipe cracking during planned outages, but has not found any cracking to date. It increased the scale of these inspections, however, in response to the cracking of feeder pipes at two Candu plants outside Ontario, where the cracked sections were replaced and the units returned to service.

BPLP does not expect the feeder pipes to limit the life of the Bruce B units, although they do expect to have to replace some feeder pipes, and to replace and upgrade pipes for safe operation during the operating lives of the units.

Relationship with our fuel manufacturing and UO_2 businesses

Sales to BPLP and BALP are a substantial portion of our fuel manufacturing business and an important part of our UO_2 business.

Financial commitments

Our total commitment for financial assurances given on behalf of BPLP was an estimated $94 million at December 31, 2010.

These include guarantees in favour of OPG under the lease (as discussed below) and guarantees to support BPLP's power purchase agreements with customers. This last commitment is adjusted as wholesale electricity market prices change. As at December 31, 2010, our actual exposure was $24 million. See note 25 to the 2010 financial statements.

The BPLP partners have agreed that all future excess cash will be distributed on a monthly basis and that separate cash calls will be made for major capital projects.

Reliance on OPG

OPG provides services to BPLP, including some that are necessary for BPLP to comply with its CNSC operating licences.

The material short-term OPG services include fuel channel inspection and maintenance services.

The material long-term OPG services include:

- services related to the supply, delivery and processing of heavy water
- low level and intermediate waste storage and disposal services
- collection and storage of used fuel bundles (see page 83 for more information about nuclear waste management and decommissioning).

Lease payments to OPG

Under the lease, OPG is responsible for decommissioning liabilities. These are covered by BPLP's payments under the lease. OPG can ask for limited adjustments to the base rent every five years during the initial lease period to reflect increases in the anticipated cost of decommissioning.

In 2006, OPG completed its first five-year review and proposed an increase of $14.8 million to the annual base rate over the remaining initial term of the lease. BPLP disagreed with the proposal.

In October 2008 the matter was resolved by agreement between OPG and BPLP and the base rent was not increased. BPLP is, however, required to pay the higher base rent retroactively to when it was proposed, in any one of the following situations:

- if BPLP fails to renew the lease past 2027
- if a BPLP material event of default occurs under the lease prior to June 30, 2027
- if BPLP terminates the lease prematurely because it is no longer economically viable to operate the facility.

The second five-year review is scheduled for 2011.

In addition to base rent, BPLP pays an annual supplemental rent ($26 million) for each Bruce B operating reactor that increases with inflation. If the annual average price of electricity falls below $30 per megawatt hour, the supplemental rent decreases to $12 million per operating reactor.

In 2010, the total lease payments were $129 million.

BPLP can also terminate the lease if it is no longer economically viable to operate the facility, as long as it:

- pays a lease termination fee of $175 million
- pays the increase in base rent specified in the 2008 settlement with OPG
- meets specified ongoing operational requirements during handover
- meets specified shut-down conditions before handover.

We have guaranteed BPLP's performance of these obligations to a maximum amount of $58.3 million.

Reinforcing the system

The transmission system from the Bruce Power site will need to be reinforced once all eight units are back in service and the expected wind powered facilities in the Bruce area are operational. This involves adding a new 500 kilovolt line between Bruce Power and Milton, essentially doubling the current transmission capacity. Hydro One is planning for the transmission reinforcement to be in service by 2012.

Mineral reserves and resources

Our mineral reserves and resources are the foundation of our company and fundamental to our success.

We have interests in a number of uranium properties. The tables in this section show our estimates of the reserves, measured and indicated resources and inferred resources at those properties. However, only three of the uranium properties listed in those tables are material uranium properties for us: McArthur River and Inkai, which are being mined, and Cigar Lake, which is being developed.

We estimate and disclose mineral reserves and resources in five categories, using the definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum, and in compliance with Canadian *National Instrument 43-101 — Standards of Disclosure for Mineral Projects (NI 43-101)*, developed by the Canadian Securities Administrators. You can find out more about these categories at cim.org.

About mineral resources

Mineral resources do not have demonstrated economic viability but do have reasonable prospects for economic extraction. They fall into three categories: measured, indicated and inferred. Our reported mineral resources do not include mineral reserves.

- Measured and indicated mineral resources can be estimated with a level of confidence sufficient to apply technical and economic parameters to support evaluation of the economic viability of the deposit.
  - *measured resources*: we can confirm both geological and grade continuity to support production planning.
  - *indicated resources:* we can reasonably assume geological and grade continuity to support mine planning.
- Inferred mineral resources are estimated using limited information. We do not have enough confidence to evaluate their economic viability in a meaningful way. You should not assume that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

About mineral reserves

Mineral reserves are the economically mineable part of measured or indicated mineral resources demonstrated by at least a preliminary feasibility study. They fall into two categories:

- *proven reserves*: the economically mineable part of a measured resource for which a preliminary feasibility study demonstrates that economic extraction is justified.
- *probable reserves*: the economically mineable part of a measured and/or indicated resource for which a preliminary feasibility study demonstrates that economic extraction can be justified.

We use current geological models, an average uranium price of $56.50 (US) per pound U_3O_8, and current or projected operating costs and mine plans to estimate our mineral reserves, allowing for dilution and mining losses. We apply our standard data verification process for every estimate.

We report mineral reserves as the quantity of contained ore supporting our mining plans, and include an estimate of the metallurgical recovery for each uranium property. Metallurgical recovery is an estimate of the amount of valuable product that can be physically recovered by the metallurgical extraction process, and is calculated by multiplying content of contained metal by the estimated metallurgical recovery percentage.

Qualified persons

The technical and scientific information discussed in this AIF, including mineral reserve and resource estimates, for our material properties (McArthur River/Key Lake, Inkai and Cigar Lake) were prepared by, or under the supervision of, individuals who are qualified persons for the purposes of NI 43-101:

McArthur River/Key Lake

- Alain G. Mainville, director, mineral resources management, Cameco
- David Bronkhorst, vice-president, Saskatchewan mining south, Cameco
- Greg Murdock, technical superintendent, McArthur River, Cameco

Cigar Lake

- Alain G. Mainville, director, mineral resources management, Cameco
- C. Scott Bishop, principal mine engineer, major projects — technical services, Cameco
- Grant J.H. Goddard, vice-president, Saskatchewan mining north, Cameco

- Les Yesnik, general manager, Key Lake, Cameco
- Lorne D. Schwartz, chief metallurgist, major projects- technical services, Cameco

Inkai
- Alain G. Mainville, director, mineral resources management, Cameco
- Charles J. Foldenauer, operations director, JV Inkai
- Lorne D. Schwartz, chief metallurgist, major projects- technical services, Cameco

Important information about mineral reserve and resource estimates

Although we have carefully prepared and verified the mineral reserve and resource figures in this document, the figures are estimates, based in part on forward-looking information.

Estimates are based on our knowledge, mining experience, analysis of drilling results, the quality of available data and management's best judgment. They are, however, imprecise by nature, may change over time, and include many variables and assumptions including:

- geological interpretation
- extraction plans
- commodity prices
- recovery rates
- operating and capital costs.

There is no assurance that the indicated levels of uranium will be produced, and we may have to re-estimate our mineral reserves based on actual production experience. Change in the price of uranium, production costs or recovery rates could make it unprofitable for us to operate or develop a particular site or sites for a period of time. See page 1 for information about forward-looking information, and page 92 for a discussion of the risks that can affect our business.

Please see page 73 for the specific assumptions, parameters and methods used for the McArthur River, Cigar Lake and Inkai mineral reserve and resource estimates.

Important information for US investors

While the terms measured, indicated and inferred mineral resources are recognized and required by Canadian securities regulatory authorities, the US Securities and Exchange Commission (SEC) does not recognize them. Under US standards, mineralization may not be classified as a 'reserve' unless it has been determined at the time of reporting that the mineralization could be economically and legally produced or extracted. US investors should not assume that:

- any or all of a measured or indicated mineral resource will ever be converted into proven or probable mineral reserves
- any or all of an inferred mineral resource exists or is economically or legally mineable, or will ever be upgraded to a higher category. Under Canadian securities regulations, estimates of inferred resources may not form the basis of feasibility or prefeasibility studies. Inferred resources have a great amount of uncertainty as to their existence and economic and legal feasibility.

The requirements of Canadian securities regulators for identification of "reserves" are also not the same as those of the SEC, and mineral reserves reported by us in accordance with Canadian requirements may not qualify as reserves under SEC standards.

Other information concerning descriptions of mineralization, mineral reserves and resources may not be comparable to information made public by companies that comply with the SEC's reporting and disclosure requirements for US domestic mining companies, including Industry Guide 7.

Mineral reserves

As at December 31, 2010 (100% basis — only the second last column shows Cameco's share)

Proven and probable (tonnes in thousands; pounds in millions)

		Proven			Probable			Total mineral reserves				
Property	**Mining method**	**Tonnes**	**Grade %U_3O_8**	**Content (lbs U_3O_8)**	**Tonnes**	**Grade %U_3O_8**	**Content (lbs U_3O_8)**	**Tonnes**	**Grade %U_3O_8**	**Content (lbs U_3O_8)**	**Cameco's share of content (lbs U_3O_8)**	**Estimated metallurgical recovery (%)**
McArthur River	underground	458.5	17.29	174.8	540.2	13.49	160.7	998.7	15.24	335.5	234.2	98.7
Cigar Lake	underground	130.5	25.62	73.7	426.8	14.41	135.6	557.3	17.04	209.3	104.7	98.5
Rabbit Lake	underground	39.6	0.62	0.5	1,478.1	0.77	25.0	1,517.7	0.76	25.5	25.5	96.7
Key Lake	open pit	61.9	0.52	0.7				61.9	0.52	0.7	0.6	98.7
Inkai	ISR	4,817.2	0.08	8.9	75,810.0	0.07	112.7	80,627.2	0.07	121.6	72.9	85.0
Gas Hills-Peach	ISR				6,403.8	0.13	19.0	6,403.8	0.13	19.0	19.0	72.0
North Butte-Brown Ranch	ISR				3,803.2	0.10	8.2	3,803.2	0.10	8.2	8.2	80.0
Smith Ranch-Highland	ISR	1,243.4	0.11	3.1	2,707.7	0.08	4.9	3,951.1	0.09	8.0	8.0	80.0
Crow Butte	ISR	922.2	0.11	2.3	282.2	0.13	0.8	1,204.4	0.12	3.1	3.1	85.0
Total		**7,673.3**	—	**264.0**	**91,452.0**	—	**466.9**	**99,125.3**	—	**730.9**	**476.2**	

Notes

See *Recent activity on* page 20 for a discussion of the change in the average ore grade for McArthur River mineral reserves.

ISR — *in situ recovery*

Estimates in the above table:

- are based on the average exchange rate at December 31, 2010 ($1.00 US = $0.99 Cdn)
- use an average uranium price of $56.50 (US)/lb U_3O_8.

Totals may not add up due to rounding.

Except for the possible Inkai permitting issue referred to below, we do not expect these reserve estimates to be materially affected by environmental, permitting, legal, taxation, socio-economic, political or marketing issues.

Metallurgical recovery

We report mineral reserves as the quantity of contained ore supporting our mining plans, and include an estimate of the metallurgical recovery for each uranium property. Metallurgical recovery is an estimate of the amount of valuable product that can be physically recovered by the metallurgical extraction process, and is calculated by multiplying quantity of contained metal (content) by the estimated metallurgical recovery percentage. Our share of uranium in the table above is before accounting for estimated metallurgical recovery.

Estimates for Inkai

In 2010, Inkai received approval in principle to produce 3.9 million pounds per year (100% basis), and is seeking final approval with an amendment to the resource use contract.

Our 2011 and future annual production targets and mineral reserve estimate assume Inkai receives the government approvals and support of our partner, Kazatomprom. More specifically, it must:

- obtain final approval to produce at an annual rate of 3.9 million pounds (our share 2.3 million pounds)
- obtain the necessary permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramp up production to an annual rate of 5.2 million pounds this year.

We expect Inkai to receive all of the necessary permits and approvals to meet its 2011 and future annual production targets and we anticipate it will be able to ramp up production as noted above.

There is no certainty, however, that Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not, or if the permits and approvals are delayed, Inkai may be unable to achieve its 2011 and future annual production targets, and we may have to recategorize some of Inkai's mineral reserves as mineral resources.

Changes this year

The table below shows the change in our share of mineral reserves for each property in 2010. The change was mostly the result of:

- mining and milling activities which consumed 24 million pounds
- conversion of mineral resources to mineral reserves from drilling and mine design updates at McArthur River, Rabbit Lake and Smith Ranch-Highland
- conversion of mineral reserves to mineral resources at Inkai due to the production ramp up schedule and increased leaching recovery applied to a limited annual production rate.

(thousands of pounds U_3O_8)	December 31, 2009	Throughput	Additions (deletions)	December 31, 2010
Proven mineral reserves				
Cigar Lake	36,861			36,861
Crow Butte	2,316	(864)	845	2,297
Inkai	6,674	(1,352)		5,322
Key Lake	590			590
McArthur River	120,578	(14,091)	15,516	122,003
Rabbit Lake	617	(72)		545
Smith Ranch-Highland	1,979	(2,129)	3,272	3,122
	169,615	**(18,508)**	**19,633**	**170,740**
Probable mineral reserves				
Cigar Lake	67,819			67,819
Crow Butte	1,840		(1,056)	784
Gas Hills — Peach	18,984			18,984
Inkai	74,167	(1,662)	(4,880)	67,625
McArthur River	113,442		(1,265)	112,177
North Butte — Brown Ranch	8,208			8,208
Rabbit Lake	20,706	(3,969)	8,271	25,008
Smith Ranch-Highland	3,932		972	4,904
	309,098	**(5,631)**	**2,042**	**305,509**
Total mineral reserves	**478,713**	**(24,139)**	**21,675**	**476,249**

Notes

Throughput corresponds to millfeed. The difference between 2010 millfeed and Cameco's share of 2010 pounds U_3O_8 produced is from mill recovery, mill inventory and processing low-grade material.

Additions (deletions) come from reassessing geological data, gathering data from mining and milling, and reclassifying material as either a mineral reserve or a mineral resource.

Mineral resources

As at December 31, 2010 (100% basis — only the last column shows Cameco's share)

Measured and indicated (tonnes in thousands; pounds in millions)

		Measured			Indicated			Total measured and indicated			
Property	**Mining method**	**Tonnes**	**Grade % U_3O_8**	**Content (lbs U_3O_8)**	**Tonnes**	**Grade % U_3O_8**	**Content (lbs U_3O_8)**	**Tonnes**	**Grade % U_3O_8**	**Content (lbs U_3O_8)**	**Cameco's share (lbs U_3O_8)**
McArthur River	underground	85.9	6.28	11.9	22.2	10.23	5.0	108.1	7.09	16.9	11.8
Cigar Lake	underground	8.4	2.07	0.4	15.6	2.35	0.8	24.0	2.27	1.2	0.6
Rabbit Lake	underground				348.0	0.52	4.0	348.0	0.52	4.0	4.0
Dawn Lake	open pit, underground				347.0	1.69	12.9	347.0	1.69	12.9	7.4
Millennium	underground				507.8	4.55	50.9	507.8	4.55	50.9	21.4
Phoenix	underground				89.9	17.98	35.6	89.9	17.98	35.6	10.7
Tamarack	underground				183.8	4.42	17.9	183.8	4.42	17.9	10.3
Inkai	ISR				18,386.3	0.08	30.5	18,386.3	0.08	30.5	18.3
Gas Hills-Peach	ISR	1,964.2	0.08	3.4	1,418.2	0.07	2.3	3,382.4	0.08	5.7	5.7
North Butte-Brown Ranch	ISR	762.1	0.08	1.4	4,012.0	0.07	6.0	4,774.1	0.07	7.4	7.4
Smith Ranch-Highland	ISR	2,079.1	0.11	4.9	13,906.5	0.06	17.6	15,985.6	0.06	22.5	22.5
Crow Butte	ISR				2,466.2	0.21	11.2	2,466.2	0.21	11.2	11.2
Ruby Ranch	ISR				2,215.3	0.08	4.1	2,215.3	0.08	4.1	4.1
Ruth	ISR				1,080.5	0.09	2.1	1,080.5	0.09	2.1	2.1
Shirley Basin	ISR	89.2	0.16	0.3	1,638.2	0.11	4.1	1,727.4	0.12	4.4	4.4
Total		**4,988.9**	—	**22.3**	**46,637.5**	—	**205.0**	**51,626.4**	—	**227.3**	**141.9**

Inferred (tonnes in thousands; pounds in millions)

Property	**Mining method**	**Tonnes**	**Grade % U_3O_8**	**Content (lbs U_3O_8)**	**Cameco's share (lbs U_3O_8)**
McArthur River	underground	506.1	13.46	150.2	104.8
Cigar Lake	underground	480.4	12.61	133.5	66.8
Rabbit Lake	underground	369.4	1.26	10.2	10.2
Millennium	underground	217.8	2.12	10.2	4.3
Phoenix	underground	23.8	7.27	3.8	1.1
Tamarack	underground	45.6	1.02	1.0	0.6
Inkai	ISR	254,696.0	0.05	255.1	153.0
Gas Hills-Peach	ISR	861.5	0.07	1.3	1.3
North Butte-Brown Ranch	ISR	640.6	0.06	0.9	0.9
Smith Ranch-Highland	ISR	6,370.1	0.05	6.6	6.6
Crow Butte	ISR	2,349.4	0.11	5.6	5.6
Ruby Ranch	ISR	56.2	0.14	0.2	0.2
Ruth	ISR	210.9	0.08	0.4	0.4
Shirley Basin	ISR	508.0	0.10	1.1	1.1
Total		**267,335.8**	—	580.1	356.9

Notes

ISR — *in situ recovery*

Mineral resources do not have demonstrated economic viability. Totals may not add up due to rounding.

Changes this year

The table below shows the change in our share of mineral resources for each property in 2010. The change was mostly the result of:

- addition of mineral resources at the new Phoenix deposit
- conversion of mineral resources to mineral reserves at McArthur River and Rabbit Lake
- conversion of mineral reserves to mineral resources at Inkai
- additional inferred resources came from the new Powell zone at Rabbit Lake and drilling and new mining plans at McArthur River zone 4 south.

(thousands of pounds U_3O_8)	December 31, 2009	Additions (deletions)	December 31, 2010
Measured mineral resources			
Cigar Lake	193		193
Crow Butte	322	(322)	0
Gas Hills — Peach	3,372		3,372
McArthur River	16,005	(7,697)	8,308
North Butte — Brown Ranch	1,366		1,366
Shirley Basin	304		304
Smith Ranch-Highland	5,952	(1,024)	4,928
	27,514	**(9,043)**	**18,471**
Indicated mineral resources			
Cigar Lake	405		405
Crow Butte	10,149	1,026	11,175
Dawn Lake	7,436		7,436
Gas Hills — Peach	2,268		2,268
Inkai	13,118	5,153	18,271
McArthur River	5,136	(1,648)	3,488
Millennium	19,643	1,726	21,369
North Butte — Brown Ranch	5,984		5,984
Phoenix	—	10,691	10,691
Rabbit Lake	10,372	(6,370)	4,002
Ruby Ranch	4,078		4,078
Ruth	2,097		2,097
Shirley Basin	4,085		4,085
Smith Ranch-Highland	16,962	685	17,647
Tamarack	10,288		10,288
	112,021	**11,263**	**123,284**
Total measured and indicated mineral resources	**139,535**	**2,200**	**141,755**

(thousands of pounds U_3O_8)	December 31, 2009	Additions (deletions)	December 31, 2010
Inferred mineral resources			
Cigar Lake	66,792		66,792
Crow Butte	6,694	(1,101)	5,593
Gas Hills — Peach	1,289		1,289
Inkai	153,049		153,049
McArthur River	111,278	(6,443)	104,835
Millennium	4,089	182	4,271
North Butte — Brown Ranch	900		900
Phoenix	—	1,143	1,143
Rabbit Lake	942	9,302	10,244
Ruby Ranch	167		167
Ruth	365		365
Shirley Basin	1,132		1,132
Smith Ranch-Highland	6,560		6,560
Tamarack	591		591
Total inferred mineral resources	**353,848**	**3,083**	**356,931**

Note

Additions (deletions) come from reassessing geological data, gathering data from mining and milling, and reclassifying material as either a mineral reserve or a mineral resource.

Key assumptions, parameters and methods

McArthur River

Key assumptions

- Mineral reserves include allowances for dilution (20%) and mining recovery (95%). Mineral resources do not include allowances for either.
- Mineral resources are estimated at a minimum mineralized thickness of 1.0 metre and at a cutoff grade of 0.1% to 0.5% U_3O_8. Mineral reserves are estimated at a cut-off grade of 0.8% U_3O_8.

Key parameters

- For mineral resources estimated from surface drillholes, the uranium grade is determined from assay sample.
- For mineral resources and mineral reserves estimated from underground drillholes, grades are determined by converting radiometric probing to percentage U_3O_8 based on a correlation between radiometric counts and assay values.
- Densities are determined using formulas based on density measurements of drill core and chemical assay grades.
- Mineral reserves at McArthur River are estimated using the raisebore, boxhole and blast-hole stoping methods combined with freeze curtains. The planned mining rate is to vary between 150 and 200 tonnes per day at a full mill production rate of 18.7 million pounds U_3O_8 per year based on 98.7% mill recovery.

Key methods

- Mineral resources were estimated using 3-dimensional block models. The models were created from the geological interpretation of mineralization outlines using lithology, structure and uranium grade information interpreted on vertical cross-sections and plan views. Estimates of block grade and density were obtained with ordinary kriging or inverse squared distance methods.

Cigar Lake

Key assumptions

- Phase 1 mineral resources (the eastern part of the deposit, 700 metres long by 150 metres wide) have been estimated within minimum mineralization thickness of 1.0 metres and a cut-off grade of 1% U_3O_8. The Phase 2 mineral resources (the western part of the deposit, 1,200 metres long by 100 metres wide) have been estimated with a minimum mineralization thickness of 2.5 metres and a cut-off grade of 5.9% U_3O_8.
- Phase 1 mineral resources have been estimated with no allowance for mining dilution or mining recovery.

  Phase 2 mineral resources incorporate an allowance of 0.5 metre of dilution material.
- Phase 1 mineral reserves have been estimated at a cut-off grade of 2.0% U_3O_8 and a minimum mineral thickness of 1.5 metres.
- Mineral reserves have been estimated with an allowance of 0.5 metres of dilution material above and below the ore zone, plus 20% external dilution at 0% U_3O_8. Dilution from sump slimes and drilling cuttings is also included as part of the 20% external dilution. Mineral reserves have been estimated based on 90% mining recovery.

Key parameters

- Grades of U_3O_8 were obtained from chemical assaying of drill core and checked against radiometric probing results. In areas of lost core or missing samples, the grade was determined from probing.
- A correlation between uranium grade and density was applied where the density was not directly measured for each sample.
- Mining rates are planned to vary between 100 and 140 tonnes per day during peak production at a full mill production rate of 18 million pounds of U_3O_8 per year based on 98.5% mill recovery.

Key methods

- The geological interpretation of the orebody outline was done on section and plan views derived from drillhole information. Phase 1 mineral resources and mineral reserves were estimated using a 3-dimensional block model. Phase 2 mineral resources were estimated using a 2-dimensional block model. Ordinary kriging was used to estimate the grade and density of the blocks.

Inkai

- The estimated mineral resources and reserves at Inkai are located in blocks 1 and 2. No mineral resources or reserves have been estimated for block 3.
- The resource models follow the Kazakhstan State Committee of Mineral Reserves (GKZ) guide and use the Grade-Thickness (GT) estimation method on 2-dimensional blocks in plan. They were created by Volkovgeology, a subsidiary of Kazatomprom which is responsible for prospecting, exploration and development of uranium deposits in Kazakhstan. We performed a validation of the Kazakh reserves estimate for block 1 in 2003, and confirmed the estimated pounds of uranium to within 2.5% of the Kazakh estimate. The Kazakh estimate was also validated by an independent consulting firm in 2005. In 2007, we and an independent consulting firm verified the block 2 Kazakh mineral reserves estimate and obtained results that were consistent with the Kazakh estimate.
- Historic drilling pattern densities over blocks 1 and 2 were sufficient to satisfy the Kazakhstan State Reserve Commission requirements in defining reserves in the C2, C1 and B categories within block 1 and C2 and C1 categories within block 2.
- Our reconciliation of the Kazakh classification system to the CIM standard definitions are set out in Section 6.3 (Table 6-4) of the Inkai technical report. We believe that Kazakhstan's reserves categories B, C1 and C2 correspond respectively to NI 43-101 mineral resource categories of measured, indicated and inferred.

Key assumptions

- Dilution and mining loss are not relevant factors because Inkai uses in situ recovery as the uranium extraction method. The recovery obtained from the in situ leaching process is included in the metallurgical recovery.
- Mineral reserves have been estimated at a minimum grade-thickness of 0.130 m% U_3O_8.

Key parameters

- Grades (%U_3O_8) were obtained from downhole gamma radiometric probing of drillholes, checked against assay results and prompt-fission neutron probing results in order to account for disequilibrium.
- An average density of 1.70 t/m^3 was used, based on historical and current sample measurements.
- In situ recovery production rates are planned to vary between 13,000 and 16,000 lbs U_3O_8 per day at a full mill production rate of 5.2 million lbs of U_3O_8 per year based on 85% recovery.

Key methods

- The geological interpretation of the orebody outline was done on section and plan views derived from core drillhole information.
- Mineral resources and mineral reserves were estimated with the grade-thickness method using 2-dimensional block models.

Sustainable development

Companies are under growing scrutiny for the way they conduct their businesses. There has been a significant increase in stakeholder expectations for environmentally and socially responsible business practices. We work under strict government regulation at every stage — from exploration and development, to decommissioning and reclamation.

Rather than viewing sustainable development as an “add-on” to traditional business activity, however, we see it as an integral component to the way we do business. Our aim is to fully integrate sustainable development principles and practices at each level of our operations, following the ALARA principle: protecting the environment by limiting emissions and managing waste so levels are as low as reasonably achievable, accounting for social and economic factors.

We measure our progress using 23 key performance indicators that reinforce our corporate strategy and align with our four measures of success:

Safe and rewarding workplace

As we strive to foster a safe, healthy and rewarding workplace at all of our facilities, we measure key indicators such as conventional and radiation safety statistics, employee sentiment toward the company and employment creation.

Clean environment

We are committed to operating our business with respect and care for the local and global environment. We strive to be a leader in environmental practices and performance by complying with and moving beyond legal and other requirements.

We are committed to integrating environmental leadership into everything we do. Part of the way we determine our progress is by measuring our impact on air, water and land near our operations as well as generation of waste and emissions.

Supportive communities

We work to build and sustain the trust of local communities by acting as a good corporate citizen. We measure the amount invested in communities through sponsorships and donations, community support through annual polling and regional employment figures.

Outstanding financial performance

To fulfill our vision, we must be competitive and secure the support of our stakeholders. We measure our financial performance based on our ability to achieve a number of strategic objectives, which are set and reviewed annually.

Our 2010 and 2011 objectives are based upon, and our performance is measured against, our four measures of success. See our 2010 MD&A for our 2010 objectives, our performance against those objectives and our 2011 objectives.

Focus on environmental leadership

Our business by its nature affects the environment, so environmental leadership is a key area of focus for us and a strategic priority for our operations.

Environmental leadership is reinforced by our systematic approach to safety, health, environment and quality (SHEQ) issues. We have integrated this approach into our planning process for major projects. We also have conceptual decommissioning plans in place for all of our operating sites.

We report our performance over a three-year period. You can find this information on our website (cameco.com) and in our sustainable development report, which is also available on our website.

SHEQ management system

We introduced our environmental, safety and health policies in 1991, and have refined our approach over the years to form our overall integrated management system: the SHEQ management system.

The system includes our statement of environmental principles, and seven programs for implementing the policies and fulfilling our commitments in these areas.

Our environmental principles

- keep risks at levels as low as reasonably achievable, accounting for social and economic factors
- prevent pollution
- comply with and move beyond legal compliance requirements
- ensure quality of processes, products and services
- continually improve our overall performance.

Seven SHEQ programs

- Quality management program
- Safety and health management program
- Radiation protection program
- Environment management program
- Management system audit program
- Emergency preparedness and response program
- Contractor management program

We benchmark our system against those used by other companies in the mining and nuclear power generation sectors. The board's safety, health and environment committee oversees our environmental policies and programs and our environmental performance on behalf of the board. Our chief executive officer is responsible for ensuring the system is implemented across the company.

Our SHEQ management system is centralized and managed at the corporate level, and we implement it corporately and at our operations.

The corporate audit program assesses our compliance with laws, regulations, permit requirements, our SHEQ related policies and programs, and how well the sites are managing requirements and reducing risk.

The SHEQ audit function is integrated with our other internal audit functions. We generally conduct a SHEQ audit every 18 to 24 months at each operating site, and every 12 months at every construction or development site.

SHEQ activity at the operations focuses on consistently applying policies and procedures, and providing help with technical issues. The sites carry out internal audits to make sure their programs meet our standards and comply with regulatory requirements. The SHEQ management system is also part of our program to manage environmental risks at the operations and meet the requirements of ISO 14001. All of our operating sites are ISO 14001 certified except for CFM.

In 2010, we invested:

- $76 million in environmental protection, monitoring and assessment programs, a decrease of 17% compared to 2009
- $34 million in health and safety programs, unchanged compared to 2009.

In 2011, spending for these programs is expected to be similar to 2010.

We had 22 reportable environmental events in 2010, compared to 28 in 2009, however, both rates are below our long-term annual average of 30. There were no significant environmental incidents in 2009 and 2010.

In 2010, we achieved the best safety performance in our history, exceeding our award-winning performance in 2009.

You can find more information about our SHEQ management system on our website.

Reducing our impact

Our internal team of specialists has been carrying out our long-term plan to reduce the impact we have on the environment. This includes monitoring and reducing our effect on air, water and land, reducing the greenhouse gases we produce and the amount of energy we consume, and managing the effects of waste.

We are investing in management systems and safety initiatives to achieve operational excellence, and this is improving our safety and environmental performance and operating efficiency.

We are maximizing the lifespan of our operating sites to limit the environmental impact of our operations, and will be revitalizing the Key Lake mill (in operation for 28 years) and Rabbit Lake mill (in operation for 36 years).

Like other large industrial organizations, we use chemicals in our operations that could be hazardous to our health and the environment if they are not handled correctly. We train our employees in the proper use of hazardous substances and in emergency response techniques.

We meet with communities who are affected by our activities to tell them what we are doing and to receive feedback and further input, to build and sustain their trust. In Saskatchewan, we participate in the Athabasca Working Group and Northern Saskatchewan Environmental Quality Committee. In Ontario, we liaise with the community by regularly holding educational and environment-focused activities.

Land

Our 10 operating sites affect 30 square kilometres of land — a relatively small area compared to what would be required to generate the same amount of energy using other technologies.

Our current mines in northern Saskatchewan are underground mines so the impact on the surface land is minimized. We use ISR mining in the US and Kazakhstan to extract uranium from underground non-potable, brackish aquifers, so the impact on the surface there is also minimal.

Water

We are continually upgrading processes and adopting new technologies to improve how we manage process water, and the effect it has on receiving water bodies.

We are reducing the concentrations of molybdenum and selenium in the effluent released from our northern Saskatchewan mines and mills because the continued release of these substances at higher levels may affect the environment.

Key Lake

The CNSC accepted our action plan in 2007 to reduce molybdenum and selenium discharges in Key Lake mill effluent, and made it a condition of the facility's operating licence. We have since reduced the concentrations of both substances in the effluent.

McArthur River

We are reducing the amount of molybdenum McArthur River discharges into the environment:

- The three shafts at the site seep good quality water. We are capturing it and using it for underground mining, rather than piping more water down from the surface.
- The water quality from shaft 3 has been assessed and approved for discharge to the environment without treatment, so we discharge all excess water picked up in shaft 3 directly to the environment. This keeps the water away from underground processes, reducing the concentration of molybdenum.
- We are studying how to send excess water from the other shafts directly to the surface water treatment plant.

We expect these activities to reduce both the volume of effluent treated and the concentration of molybdenum in the effluent.

Rabbit Lake

We modified the Rabbit Lake mill in 2009 and reduced discharges of molybdenum and selenium. We installed a water treatment circuit in 2006 to reduce uranium in the discharge and, as of 2007, there is an average of 10 times less uranium being discharged than there was before 2004 calculated on an annual basis. Early in 2008, while excavating for a new effluent treatment circuit next to the mill, we detected uranium in groundwater seepage. The uranium was present only in the immediate vicinity of the mill. We made the necessary repairs, identified and made improvements, and restored the contaminated areas.

We continually monitor the environment to verify that the improvements we made in the mill effluent treatment process are having the planned effect of reducing the impact on the receiving environment.

Port Hope

We discovered soil and groundwater contamination under the Port Hope UF_6 conversion plant in July 2007, and suspended operation to investigate. See *Shutdowns* on page 61 for information about the environmental effect of the incident, how we responded and the steps we took to resume operation of the plant.

We also shut down the UO_2 plant for an extended planned maintenance period in 2008, and brought floors and in-floor structures up to the new standards of the UF_6 plant. We discovered a leaking sump, which appeared to be the source of some localized contaminated ground water we found in an earlier assessment. We installed a new groundwater collection well next to the UO_2 plant to control contaminated groundwater, and reopened the plant in mid-January 2009.

Improvements to the UF_6 and UO_2 plants cost $50 million. We also spent $14 million to remediate the contaminated soil and groundwater from the Port Hope UF_6 plant.

United States

The ISR method we use in the US involves extracting uranium from underground non-potable aquifers by dissolving the uranium with a carbonate-based water solution and pumping it to a processing facility on the surface. After mining has been completed, an ISR wellfield must be restored according to regulatory requirements. This generally involves restoring the groundwater to its pre-mining use or equivalent class of use water standard.

We have 10 wellfields under restoration. See page 85 for more information.

Kazakhstan

The ISR mining method we use at Inkai uses an acid in the mining solution to extract uranium from underground non-potable aquifers. The injection and recovery system is engineered to prevent the mining solution from migrating to the aquifer above the orebody, which has water with higher purity.

Kazakhstan does not require active restoration of post-mining groundwater. After a number of decommissioning steps are taken, natural attenuation of the residual acid in the mined out horizon, as a passive form of groundwater restoration, has been accepted. Attenuation is a combination of neutralization of the groundwater residual acid content by interaction with the host rock minerals and other chemical reactions which immobilize residual groundwater contaminants in the mined-out subsoil horizon. This approach is considered acceptable as it results in water quality similar to the pre-mining baseline status.

Air

The table below shows our most recent data on our greenhouse gas emissions. We follow the general guidelines outlined by the *Intergovernmental Panel on Climate Change* to qualify greenhouse gas emissions.

	2009	2008
Greenhouse gas emissions of tonnes of CO_2 equivalent (CO_2e)	460,000	421,000

Greenhouse gas emissions include carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs) expressed as a carbon equivalent (CO_2e).

The greenhouse gas emissions have been slowly increasing since 2005. Expansion of mining operations has caused increases in fuel consumption, and therefore emissions, as expected.

Port Hope

We have lowered emissions of uranium and hydrofluoric acid to the air by installing new equipment and changing the operating procedures.

McArthur River

McArthur River has a large refrigeration plant that produces brine used for freezing the area of the deposit being mined. The plant uses refrigerants, but they are not ozone-depleting chemicals that harm the earth's atmosphere.

Cigar Lake

Cigar Lake has a large refrigeration plant that produces brine used for freezing certain areas of the deposit as we prepare it for mining. The plant uses refrigerants, but they are not ozone-depleting chemicals that harm the earth's atmosphere.

Waste

Our mines and mills in northern Saskatchewan account for most of the tailings and waste rock our operations generate.

We treat the mill tailings at Rabbit Lake and Key Lake to stabilize contaminants before depositing them in tailings management facilities (in mined-out open pits near the mills).

We divert groundwater and surface water around the tailings management facilities, monitor the water to make sure it is not affected by the tailings, and treat it if necessary. We monitor all runoff and treat any seepage water from waste rock piles as needed. We stockpile some waste rock to blend with higher grade ores. We contour other waste rock piles and re-vegetate them before decommissioning the site. We continue to monitor groundwater after the facility has been decommissioned.

Complying with environmental regulations

Our business is required to comply with laws and regulations that are designed to protect the environment and control the management of hazardous wastes and materials. Some laws and regulations focus on environmental issues in general, and others are specifically related to mining and the nuclear sector. They change often, with requirements increasing, and existing standards are being applied more stringently. While this promotes continuous improvement, it can increase expenses and capital expenditures, or limit or delay our activities.

Government legislation and regulation in various jurisdictions establish standards for system performance, standards and guidelines for air and water quality emissions, and other design or operational requirements for the various SHEQ components of our operations and the mines we plan to develop. We must complete a comprehensive environmental assessment before we begin developing a new mine or start processing activities, or make any significant change to a plan that has already been approved. Once we have permanently stopped mining and processing activities, we are required to decommission and reclaim the operating site to the satisfaction of the regulator, and we may be required to actively manage former mining properties for many years.

Canada

There is ongoing public scrutiny of the impact our operations have on the environment, and ongoing regulatory oversight by the Canadian Nuclear Safety Commission (CNSC), the Saskatchewan Ministry of the Environment, the Ontario Ministry of the Environment, and Environment Canada.

The CNSC, an independent regulatory authority established by the federal government under the *Canadian Nuclear Safety and Control Act* (NSCA), is our main regulator in Canada. It regulates our compliance with the NSCA and is the federal lead for environmental assessments required to be carried out under the *Canadian Environmental Assessment Act*.

The primary objectives of an environmental assessment are to ensure that:

- potential adverse environmental effects are considered before proceeding with a project
- projects that cause unjustifiable, significant adverse environmental effects are not permitted to proceed
- appropriate measures are implemented, where necessary, to mitigate risk.

Generally, the environmental assessment process takes more than two years to complete. Our plans to expand production or build new mines in Saskatchewan are subject to this process, and we currently have a range of environmental assessments underway, from comprehensive study level to less detailed screening level. In certain cases, a review panel may be appointed and public hearings held.

Over the past few years, CNSC audits of our operations have focused on the following SHEQ programs:

- radiation protection
- environmental monitoring
- fire protection
- operational quality assurance
- organization and management systems effectiveness
- transportation systems
- geotechnical monitoring
- training
- ventilation systems

Improving our environmental performance is challenging, and we have several initiatives underway:

- dealing with more stringent controls on fugitive uranium emissions from ventilation systems at fuel services facilities
- optimizing performance of our facilities to reduce molybdenum and selenium loadings
- lessening the impacts our facilities have on groundwater.

Many of these initiatives have required additional environmental studies near the operations, and we expect that we will have to do more, especially environmental assessments, which generally establish expectations for operations in the future.

It can take a significant amount of time for regulators to make requested changes to a licence or grant requested approval because the proposal may require an environmental assessment or an extensive review of supporting technical data, management programs and procedures. We are improving the quality of our proposals and submissions and have introduced a number of programs to ensure we continue to comply with regulatory requirements, but this has also increased our capital expenditures and our operating costs.

As our SHEQ management system matures, regulators review our programs more often and recommend ways to improve our SHEQ performance. These recommendations are generally procedural and do not involve large capital costs, although systems applications can be significant and result in higher operating costs.

We believe that regulatory expectations of the CNSC and other federal and provincial regulators will continue to evolve, and lead to changes to both requirements and the regulatory framework. This will likely increase our expenses.

United States

Our US ISR operations have to meet federal, state and local regulations governing air emissions, water discharges, handling and disposal of hazardous materials and site reclamation, among other things.

Mining activities have to meet comprehensive environmental regulations from the US Nuclear Regulatory Commission (NRC), Bureau of Land Management, Environmental Protection Agency and state environmental agencies. The process of obtaining mine permits and licences generally takes several years, and involves environmental assessment reports, public hearings and comments. We have the permits and approvals for the US operations that we need to meet our 2011 production plans.

Our plans to expand our US ISR production, which includes adding satellite facilities to our operating mines in Wyoming and Nebraska, are subject to an environmental assessment process that can take several years.

After mining is complete, ISR wellfields have to be restored according to regulatory requirements. This generally involves restoring the groundwater to its pre-mining use or equivalent class of use water standard. Restoration of Crow Butte wellfields is regulated by the Nebraska Department of Environmental Quality and the NRC. Restoration of Smith Ranch-Highland wellfields is regulated by the Wyoming Department of Environmental Quality and the NRC. See page 85 for the status of wellfield restoration and regulatory approvals.

Kazakhstan

In its resource use contract with the Kazakhstan government, Inkai committed to conducting its operations according to good international mining practices. It complies with the environmental requirements of Kazakhstan legislation and regulations, and, as an industrial company, it must also reduce, control or eliminate various kinds of pollution and protect natural resources. Inkai is required to submit annual reports on pollution levels to the Kazakhstan environmental, tax and statistics authorities. The authorities conduct tests to validate Inkai's results.

Environmental protection legislation in Kazakhstan has evolved rapidly, especially in recent years. As the subsoil use sector has evolved, there has been a trend towards greater regulation, heightened enforcement and greater liability for non-compliance. The most significant development was the adoption of the *Ecological Code*, dated January 9, 2007 and effective as of February 3, 2007. This code replaced the three main laws that had related to environmental protection.

Inkai is required to comply with environmental requirements during all stages of the project, and must develop an environmental impact assessment for examination by a state environmental expert before making any legal, organisational or economic decisions that could have an effect on the environment and public health. Plans to double production at blocks 1 and 2 and to develop block 3 are subject to this environmental impact assessment process.

Under the *Ecological Code*, Inkai needs an environmental permit to operate. The permit certifies the holder's right to discharge emissions into the environment, provided that it introduces the "best available technologies" and complies with the technical guidelines in the code. Inkai has a permit for environmental emissions and discharges, valid until December 2013, and an emissions permit for drilling activities, valid until December 2012. It also holds the required permits under the *Water Code.*

Government authorities and the courts enforce compliance with these permits, and violations can result in the imposition of administrative, civil or criminal penalties, the suspension or stopping of operations, orders to pay compensation, orders to remedy the effects of violations and orders to take preventive steps against possible future violations. In certain situations, the issuing authority may modify or revoke the permits.

Inkai has environmental insurance, as required by the *Ecological Code* and the resource use contract.

Nuclear waste management and decommissioning

Once we have permanently stopped mining and processing activities, we are required to decommission the operating sites. This includes reclaiming all waste rock and tailings management facilities and the other areas of the site affected by our activities to the satisfaction of regulatory authorities.

Estimating decommissioning and reclamation costs

We develop conceptual decommissioning plans for our operating sites and use them to estimate our decommissioning costs. We also submit them to the regulator to determine the amount of financial assurance we must provide to secure our decommissioning obligations. Our plans include reclamation techniques that we believe generate reasonable environmental and radiological performance. Regulators give "conceptual approval" to a decommissioning plan if they believe the concept is reasonable.

We started conducting reviews of our conceptual decommissioning plans for all Canadian sites in 1996. We typically review them every five years, or when we amend or renew an operating licence. We review our cost estimates for both accounting purposes and licence applications. For our US sites, they are reviewed annually. A preliminary decommissioning plan has been established for Inkai. The plan is updated every five years or as significant changes take place, which would affect the decommissioning estimate.

As properties approach or go into decommissioning, regulators review the detailed decommissioning plans. This can result in additional regulatory process, requirements, costs and financial assurances.

At the end of 2010, our estimate of total decommissioning and reclamation costs was $465 million. This is the undiscounted value of the obligation and is based on our current operations. We had accounting provisions of $280 million at the end of 2010 (the present value of the $465 million). Since we expect to incur most of these expenditures at the end of the useful lives of the operations they relate to, our expected costs for decommissioning and reclamation for the next five years are not material.

We provide financial assurances for decommissioning and reclamation as letters of credit to regulatory authorities, as required. We had a total of $549 million in letters of credit supporting our reclamation liabilities at the end of 2010. Since 2001, all of our North American operations have had letters of credit in place that provide financial assurance in line with our preliminary plans for decommissioning for the sites.

Please also see note 12 to the 2010 financial statements for our estimate of decommissioning and reclamation costs and related letters of credit.

Canada

Decommissioning estimates
(100% basis)

McArthur River	$ 36.1 million
Rabbit Lake	$105.2 million
Key Lake	$120.7 million
Cigar Lake	$ 27.7 million

These estimates have been reviewed and accepted by the CNSC. We, along with our joint venture partners, have filed with the Saskatchewan government letters of credit as financial assurance for all four operations to match these estimates.

The reclamation and remediation activities associated with waste rock and tailings from processing Cigar Lake ore and uranium solution are covered in the plans and cost estimates for the facilities that will be processing it.

Decommissioning estimates
(100% basis)

Port Hope	$96 million
Blind River	$36 million
CFM	$18 million

The CNSC reviewed the decommissioning estimates for these facilities as part of the renewal of their licences in 2007. We have filed letters of credit with the regulator as financial assurance for them.

Bruce Power

Operating the Bruce Power nuclear units generates three kinds of radioactive waste:

- used nuclear fuel bundles (*high-level radioactive waste*)
- other material that has come in close contact with the reactors or is reactor equipment such as pressure tubes. This material is less radioactive than used nuclear fuel bundles (*intermediate-level radioactive waste*)
- material used in operating the station (*low-level radioactive waste*).

High-level radioactive waste

Used nuclear fuel bundles from the Bruce reactors are temporarily stored in water-filled pools (called *wet bays*) at the Bruce Power nuclear stations for a cooling-off period of at least 10 years so their radioactivity substantially decreases. The bundles are then transferred to above-ground concrete canisters at a dry storage facility constructed by OPG. The facility is located on the part of the site not leased to BPLP. OPG started transferring the used nuclear bundles to its facility in 2003.

BPLP is responsible for managing any used nuclear fuel bundles stored in the Bruce B wet bays although OPG retains title to all used nuclear fuel bundles stored in the wet bays before May 11, 2001. OPG also assumes:

- title to any used nuclear fuel bundles that are discharged from the Bruce reactors during the term of the lease
- the cost of, and responsibility for, disposing of these nuclear fuel bundles. It also receives a fee, paid as supplemental rent under the lease, for this disposal.

Intermediate and low-level radioactive waste

OPG has also agreed to take title to, store and dispose of all of BPLP's low and intermediate-level radioactive waste at OPG's radioactive waste management facility at the Bruce site during the term of the lease. OPG retains title to all low and intermediate-level radioactive waste generated before May 11, 2001.

Decommissioning

Under the lease and as owner of the Bruce nuclear plants, OPG is responsible for:

- decommissioning the eight units
- funding the decommissioning and meeting any other related requirements imposed by the CNSC

- managing the radioactive waste associated with decommissioning the Bruce nuclear plants.

Historical waste

When Cameco was formed, we assumed ownership and primary responsibility for managing the waste already existing at the time of the reorganization. This *historical waste* was all in Ontario, at the *historical facilities*, which include the Port Hope Conversion Facility, Blind River Refinery, Port Granby Waste Management Facility and the Welcome Waste Management Facility in Port Hope.

Our liability includes:

- the first $2 million of all costs and expenses related to historical waste and the historical facilities, including costs and expenses relating to any claim arising out of or related to historical waste and decommissioning or reclamation costs and expenses related to historical waste and the historical facilities
- 23/98ths of the next $98 million of these costs.

Canada Eldor Inc., the entity established by the federal government to assume the historical liabilities and obligations of Eldorado Nuclear Limited, retained liability for the balance of these costs up to $100 million, and for all of these costs above $100 million, effectively capping our liability with respect to these costs at $25 million.

Principles of understanding

In October 2000, the government of Canada and certain communities near and including Port Hope announced they had signed a framework for the development of an agreement for the clean-up, storage and long-term management of certain historical waste (the *principles of understanding*).

In June 2001, the federal government announced that it had signed an agreement to invest approximately $260 million over 10 years to carry out the work.

In March 2004, we reached an agreement to transfer two facilities to the government of Canada: the Port Granby Waste Management Facility and Welcome Waste Management Facility. Atomic Energy Canada Limited (AECL), which indirectly owned these waste sites before 1988 through its ownership of Eldorado Nuclear Limited, is the licensee.

As part of this transaction, the federal government agreed to accept approximately 150,000 cubic metres of low-level radioactive waste from us at no charge. It also agreed to assume all liability for the waste at the two sites, as long as we met our obligation to contribute the balance of the $25 million cap respecting costs and expenses related to historical waste and the historical facilities remaining upon the transfer of the final waste facility. We have already recognized this $25 million liability, but at the end of 2010, only $7 million of it had been spent.

Port Hope Area Initiative

In July 2002, the federal government released the scoping document for the environmental assessment of the Port Hope Area Initiative, which described two projects to manage low-level radioactive waste in the Port Hope area for the long term: the Port Granby project and Port Hope project, which includes historical waste at the Welcome Waste Management Facility. Both projects have completed the environmental assessment process.

In September 2009, after a one-day public hearing, the CNSC announced a decision to issue a Waste Nuclear Substance Licence to AECL for the Welcome Waste Management Facility, valid as of the date of land transfer. Transfer of this facility to the federal government was completed on March 31, 2010.

Recycling uranium byproducts

We have an agreement with Denison Mines Corporation to process certain uranium-bearing byproducts from Blind River and Port Hope at the White Mesa mill in Blanding, Utah. While this arrangement addresses existing inventory and current recycling requirements, we are considering other outlets.

For example, in 2001, we tested recycling the byproducts at our Key Lake mill, and in 2002 submitted a proposal to federal and provincial regulatory authorities for approval to proceed. We received regulatory approval from the Saskatchewan government in 2003, but we have been pursuing lower concentrations of molybdenum and selenium in the effluent released at the Key Lake mill in order to receive federal regulatory approval. With our success in lowering these concentrations, we have made a submission to the CNSC to move this matter forward.

United States

After mining has been completed, an ISR wellfield has to be restored according to regulatory requirements. This generally involves restoring the groundwater to its pre-mining use or equivalent class of water standard.

It is difficult for us to estimate final timing and costs for restoring wellfields due to the uncertainty in timing for receiving regulatory approval.

Crow Butte

Restoration of Crow Butte wellfields is regulated by the Nebraska Department of Environmental Quality and the NRC. There are five wellfields being restored at Crow Butte. The groundwater at mine unit #1 has been restored to pre-mining quality standards, all wells are plugged and the piping removed.

Our estimated cost of decommissioning the property is $35.2 million (US). We have provided the State of Nebraska with a $35.2 million (US) letter of credit as security for decommissioning the property.

Smith Ranch-Highland

Restoration of Smith Ranch-Highland wellfields is regulated by the Wyoming Department of Environmental Quality and NRC. There are five wellfields being restored at Smith Ranch-Highland, and two wellfields (mine units A and B) that have been fully restored.

The restoration of mine unit B has been approved by the Wyoming Department of Environmental Quality, and is waiting for approval from the NRC. We have restored the groundwater at mine unit A to pre-mining quality standards, and continue to monitor the area's environmental performance. We have received regulatory approval for the restoration at mine unit A.

Our estimated cost of decommissioning the property is $111.5 million (US). We have provided the State of Wyoming with a $111.5 million (US) letter of credit as security for decommissioning the property.

Kazakhstan

Inkai is subject to decommissioning liabilities, largely defined by the terms of the resource use contract. Inkai has established a separate bank account and made the required contributions to the account as security for decommissioning. Contributions are set as a percentage of gross revenue and are capped at $500,000 (US). Inkai has funded the full amount.

Under the resource use contract, Inkai must submit a plan for decommissioning the mining facility to the government six months before mining activities are complete. Inkai has established a preliminary plan and an estimate of total decommissioning costs of $7 million (US). It updates the plan every five years, or when there is a significant change at the operation that could affect decommissioning estimates.

Groundwater is not actively restored post-mining in Kazakhstan. See page 79 for additional details.

The regulatory environment

This section, and the section *Complying with environmental regulations* starting on page 80, discuss some of the more significant government controls and regulations that have a material effect on our business. We are not aware of any proposed legislation or changes to existing legislation that could have a material effect on our business.

International treaty on the non-proliferation of nuclear weapons

The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) is an international treaty that was established in 1970. It has three objectives:

- to prevent the spread of nuclear weapons and weapons technology
- to foster the peaceful uses of nuclear energy
- to further the goal of achieving general and complete disarmament.

The NPT establishes a safeguards system under the responsibility of the International Atomic Energy Agency. Almost all countries are signatories to the NPT, including Canada, the US, the United Kingdom and France. We are therefore subject to the NPT and comply with the International Atomic Energy Agency's requirements.

Industry regulation and permits

Canada

Our Canadian operations have regulatory obligations to both the federal and provincial governments. There are five main regulatory agencies that issue licences and approvals:

- CNSC (federal)
- Fisheries and Oceans Canada (federal)
- Transport Canada (federal)
- Saskatchewan Ministry of Environment
- Ontario Ministry of Environment.

Environment Canada (federal) is also a main regulatory agency, but does not issue licences and approvals.

Uranium industry regulation

The government of Canada recognizes the special importance of the uranium industry to Canada's national interest, and regulates the industry through legislation and regulations, and exerts additional control through government policy.

Federal legislation applies to any uranium property or plant in Canada that the CNSC determines is producing or processing uranium for use in nuclear fuel, or has the capability to do so. Federal policy requires that any property or plant used for this purpose must be legally and beneficially owned by a company incorporated in Canada.

Mine ownership restrictions

The federal government has instituted a policy that restricts ownership of Canadian uranium mining properties to:

- a minimum of 51% ownership by residents
- a basic maximum limit of 49% ownership by non-residents of uranium properties at the first stage of production.

The government may grant exceptions. For example, resident ownership may be less than 51% if the property is Canadian-controlled. Exceptions will only be granted in cases where it is demonstrated that Canadian partners cannot be found, and it must receive Cabinet approval.

The government issued a letter to the Canadian uranium industry on December 23, 1987, outlining the details of this ownership policy. On March 3, 2010, the government announced its intention to liberalize the foreign investment restrictions on Canada's uranium mining sector to "ensure that unnecessary regulation does not inhibit the growth of Canada's uranium mining industry by unduly restricting foreign investment".

Cameco ownership restriction

We are subject to ownership restrictions pursuant to the *Eldorado Nuclear Limited Reorganization and Divestiture Act*, which restricts the issue, transfer and ownership, including joint ownership, of Cameco shares to prevent both residents and non-residents of Canada from owning or controlling more than a certain percentage of shares. See pages 113 and 114 for more information.

Industry governance

The *Canadian Nuclear Safety and Control Act* (NSCA) governs the control of the mining, extraction, use and export of uranium in Canada. It is a federal statute, authorizing the CNSC to make regulations governing all aspects of the development and application of nuclear energy, including uranium mining, milling, conversion, fabrication and transportation. It grants the CNSC licensing authority for all nuclear activities in Canada. A person may only possess or dispose of nuclear substances and build, operate and decommission its nuclear facilities according to the terms and conditions of a CNSC licence. Licensees must satisfy specific conditions of the licence in order to maintain the right to operate their nuclear facilities.

The NSCA emphasizes the importance of environmental as well as health and safety matters, and requires licence applicants and licensees to have adequate provisions for protection.

Regulations made under the NSCA include provisions for dealing with the licence requirements of facilities, radiation protection, physical security for all nuclear facilities and the transport of radioactive materials. The CNSC has also issued regulatory guidance documents to assist licensees in complying with regulatory requirements such as decommissioning, emergency planning, and optimizing radiation protection measures.

All of our Canadian operations are governed primarily by licences granted by the CNSC and are subject to all federal statutes and regulations that apply to us, and all the laws that generally apply in the province where the operation is located, unless there is a conflict with the terms and conditions of the licence or the federal laws that apply to us.

Uranium export

We must secure export licences and export permits from the CNSC and the Department of Foreign Affairs and International Trade in order to export our uranium.

Land tenure

Most of our uranium reserves and resources are located in the province of Saskatchewan:

- a *mineral claim* from the province gives us the right explore for minerals (other government approvals are required to carry out surface exploration)
- a *crown lease* with the province gives us the right to mine the minerals on the property
- a *surface lease* with the province gives us the right to use the land for surface facilities and mine shafts while mining and reclaiming the land.

A mineral claim has a term of two years, with the right to renew for successive one-year periods. Generally, the holder has to spend a certain amount on exploration to keep the mineral claim in good standing. If we spend more than the amount required, the extra amount can be applied to future years.

A holder of a mineral claim in good standing has the right to convert it into a crown lease. A crown lease is for 10 years, with a right to renew for additional 10-year terms. The lessee must spend a certain amount on work during each year of the crown lease. The lease cannot be terminated unless the lessee defaults on any terms of the lease, or under any provisions of *The Crown Minerals Act* (Saskatchewan) or regulations under it, including any prescribed environmental concerns. Crown leases can be amended unilaterally by the lessor by an amendment to *The Crown Minerals Act* (Saskatchewan) or *The Mineral Disposition Regulations, 1986* (Saskatchewan).

A surface lease can be for up to 33 years, as necessary for operating the mine and reclaiming the land. The province also uses surface leases to specify other requirements relating to environmental and radiation protection as well as socioeconomic objectives.

Electricity regulation

BPLP's operations are heavily regulated. The CNSC regulates the Bruce nuclear generation stations through its powers under the NSCA (see *Uranium industry regulation* above). It also monitors the safety performance of the Bruce nuclear generating stations.

Licences issued by the CNSC stipulate that BPLP must report regularly on its operations. BPLP is also regulated by the *Nuclear Liability Act* (as discussed below), as well as other general legislation.

Licence renewals

BPLP operates the Bruce B nuclear reactors under a CNSC licence issued to BPLP's general partner, Bruce Power Inc. In 2009, CNSC renewed the Bruce B operating licence for a term through October 31, 2014. BPLP was not required to provide financial assurances under the Bruce B operating licence because the CNSC determined that the preliminary decommissioning plan and the financial assurances which BPLP provides to OPG under its lease with OPG are adequate.

We are indemnified by BALP for any calls on the assurances resulting from operation of the Bruce A units.

Liability insurance

The *Nuclear Liability Act* requires operators of nuclear generating facilities to purchase specific amounts of nuclear liability insurance from the Nuclear Liability Association of Canada. The *Nuclear Liability Act* imposes liability and currently requires the operator of nuclear stations to maintain $75 million of liability insurance for each of its nuclear stations.

The *Nuclear Liability Act* has two parts:

- Under *Part I*, an operator is strictly liable for any damage to public property or personal injury arising from a nuclear incident (as it defines), other than damage resulting from sabotage or acts of war. If the Governor in Council is of the opinion that an operator's liability for a nuclear incident could be higher than $75 million, or it would be in the public interest to provide special measures for compensation, the Governor in Council may proclaim Part II in effect.
- Under *Part II*, an operator is liable for the amount of insurance. The Governor in Council may authorize the federal government to pay funds for claims exceeding that amount.

The federal government has introduced legislation in the House of Commons that would significantly change the *Nuclear Liability Act*. It includes, among other things, requirements for the operator to maintain $650 million of insurance for each of its nuclear stations for liability it imposed. If this legislation becomes law, it will result in a significant increase in the cost and amount of insurance coverage BPLP must obtain.

Ontario

BPLP sells electricity into the wholesale spot market and contract market.

The Ontario regulatory framework has an impact on BPLP's marketing of electricity, particularly the wholesale market where BPLP sells most of its production. The Ontario government took steps in 2005 and February 2006 to mitigate the impact of higher electricity prices on the province's large industrial and commercial customers by regulating the price of electricity produced by OPG's base load nuclear and hydro assets, and establishing revenue limits on the output of some of OPG's other assets. This affected approximately 55,000 large industrial and commercial customers who consume more than 250,000 kilowatt hours per year.

BPLP expects these actions to depress the wholesale contract market, which is unregulated.

United States

Uranium industry regulation

In the US, uranium recovery is regulated primarily by the NRC according to the *Atomic Energy Act of 1954*, as amended. Its primary function is to:

- ensure employees, the public and the environment are protected from radioactive materials
- regulate most aspects of the uranium recovery process.

The NRC's regulations for uranium recovery facilities are codified in *Title 10 of the Code of Federal Regulations* (10 CFR). It issues Domestic Source Material Licences under 10 CFR, Part 40. The *National Environmental Policy Act* (NEPA) governs the review of licence applications, which is implemented through 10 CFR, Part 51.

Wyoming

The uranium recovery industry is also regulated by the Wyoming Department of Environmental Quality, the Land Quality Division according to the *Wyoming Environmental Quality Act* (WEQA) and the *Land Quality Division Non-Coal Rules and Regulations* under the WEQA. According to the state act, the Wyoming Department of Environmental Quality issues a permit to mine. The Land Quality Division administers the permit.

The state also administers a number of Environmental Protection Agency (EPA) programs under the *Clean Air Act* and the *Clean Water Act*. Some of the programs, like the *Underground Injection Control Regulations*, are incorporated in the *Land Quality Division Non-Coal Rules and Regulations*. Wyoming currently requires wellfield decommissioning to the standard of pre-mining use.

Nebraska

The uranium recovery industry is regulated by the Nuclear Regulatory Commission, and the Nebraska Department of Environmental Quality according to the *Nebraska Environmental Protection Act*. The Nebraska Department of Environmental Quality issues a permit to mine. The state requires wellfield groundwater be restored to the class of use water standard.

At Smith Ranch-Highland and Crow Butte, safety is regulated by the federal Occupational Safety and Health Administration.

Other governmental agencies are also involved in the regulation of the uranium recovery industry.

The NRC also regulates the export of uranium from the US and the transport of nuclear materials within the US. It does not review or approve specific sales contracts. It also grants export licences to ship uranium outside the US.

Land tenure

Our uranium reserves and resources in the US are held by subsidiaries that are located in Wyoming and Nebraska. The right to mine or develop minerals is acquired either by leases from the owners (private parties or the state) or mining claims located on property owned by the US federal government. Our subsidiaries acquire surface leases that allow them to install wellfields and conduct ISR mining.

Kazakhstan

See *Kazakhstan government and legislation* on page 37.

Royalties and taxes

Canadian royalties

We pay royalties to the province of Saskatchewan under the terms of Part III of the *Crown Mineral Royalty Schedule*, 1986 (Saskatchewan), as amended. The royalty applies to the sale of all uranium extracted from orebodies in the province.

The schedule includes two kinds of royalties:

- *basic royalty*: 5% of gross sales of uranium, less the Saskatchewan resource credit (1% of the gross sales of uranium)
- *tiered royalty*: an additional percentage of gross sales of uranium, when the realized sales price of uranium (after deducting capital allowances) is higher than the sales prices listed in the schedule.

We claimed all of our capital allowances in 2007 and started to pay tiered royalties that year. We will be eligible for additional capital allowances once Cigar Lake begins production. We expect not to have to pay tiered royalties until these additional allowances have been used.

As a resource corporation in Saskatchewan, we pay a corporate resource surcharge of 3.0% of the value of resource sales.

Canadian income taxes

We are subject to federal income tax and provincial taxes in Saskatchewan and Ontario. Current income tax recovery for 2010 was $12.3 million.

Royalties are fully deductible for income tax purposes. For Ontario tax purposes, we are charged an additional tax (at normal Ontario corporate tax rates) if the royalty deduction exceeds a notional Ontario resource allowance. Our Ontario fuel services operations and BPLP are eligible for a manufacturing and processing tax credit.

Since 2008, Canada Revenue Agency (CRA) has disputed the transfer pricing methodology we used for certain uranium sale and purchase agreements and issued notices of reassessment for our 2003, 2004 and 2005 tax returns. We believe it is likely that CRA will reassess our tax returns for 2006 through 2010 on a similar basis. Our view is that CRA is incorrect, and we are contesting its position.

In July 2009, we filed a Notice of Appeal relating to the 2003 reassessment with the Tax Court of Canada. In November 2010, we filed a Notice of Appeal relating to the 2004 reassessment with the Tax Court of Canada. We intend to object to the 2005 reassessment and pursue our appeal rights under the *Income Tax Act*. However, to reflect the uncertainties of CRA's appeals process and litigation, we have provided $27 million for uncertain tax positions for the years 2003 through 2010. We believe that the ultimate resolution of this matter will not be material to our financial position, results of operations or liquidity over the period. However, an unfavourable outcome for the years 2003 to 2010 could be material to our financial position, results of operations or cash flows in the year(s) of resolution. See note 18 to the financial statements.

US taxes

Our subsidiaries in Wyoming and Nebraska pay severance taxes and property taxes in those states. They paid $4.3 million (US) in taxes in 2010.

Our US subsidiaries are subject to US federal and state income tax. They may also be subject to the Alternative Minimum Tax (AMT) at a rate of 20%. We can carry forward AMT paid in prior years indefinitely, and apply it as credit against future regular income taxes. Current income tax recovery for 2010 was $1.3 million (US).

Kazakhstan taxes

The resource use contract lists the taxes, duties, fees, royalties and other governmental charges Inkai has to pay.

On January 1, 2009, a new tax code of the Republic of Kazakhstan went into effect that includes a number of changes to the taxation regime of subsoil users. The most significant changes involve eliminating the stable tax regime, imposing a mineral extraction tax and changing the payment rate for commercial discovery.

Tax stabilization eliminated

In October 2009, at the request of the Kazakhstan Ministry of Energy and Mineral Resources, Inkai signed an amendment to the resource use contract to adopt the new tax code, eliminating the tax stabilization provision. We do not expect the new tax code to have a material impact on Inkai at this time, but eliminating the tax stabilization provision could be material in the future. Please see page 36 for more information about the resource use contract.

Corporate income tax rate

Under the new tax code, Inkai is subject to corporate income tax at a rate of 20%.

Mineral extraction tax

The tax code includes a *Tax on Production of Useful Minerals*, a new mineral extraction tax replacing the previous royalty. The mineral extraction tax must be paid on each type of mineral and certain other substances that are extracted. Starting from January 1, 2011 the rate used to calculate the mineral extraction tax on uranium is 22%. Previously, Inkai would pay royalties that were calculated on a graduated scale, based on the sales price of production each year.

Payment for commercial discovery

Under the resource use contract, a one-time commercial discovery bonus of 0.05% of the value of Kazakh-defined recoverable reserves is paid when there is confirmation that Kazakh-defined recoverable reserves are located in a particular licence area. Under the tax code, that rate increases to 0.1%.

Excess profits tax

The tax code calculates the excess profits tax differently. Inkai believes it will not have to pay this tax for the foreseeable future.

Risks that can affect our business

There are risks in every business.

The nature of *our* business means we face many kinds of risks and hazards — some that relate to the nuclear energy industry in general, and others that apply to specific properties, operations or planned operations. These risks could have a significant impact on our business, earnings, cash flows, financial condition, results of operations or prospects.

The following section describes the risks that are most material to our business. This is not, however, a complete list of the potential risks we face — there may be others we are not aware of, or risks we feel are not material today that could become material in the future. We have comprehensive systems and procedures in place to manage these risks, but there is no assurance that we will be successful in preventing the harm that any of these risks could cause.

Please also see the risk discussion in our 2010 MD&A.

Types of risk

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1 — Operational risks

General operating risks and hazards

We are subject to a number of operational risks and hazards, many of which are beyond our control.

These risks and hazards include:

- environmental damage (including hazardous emissions from our refinery and conversion facilities, like a release of UF_6 or a leak of anhydrous hydrogen fluoride used in the UF_6 conversion process)
- industrial and transportation accidents, which may involve radioactive or other hazardous materials
- labour shortages, disputes or strikes
- cost increases for contracted or purchased materials, supplies and services
- shortages of required materials and supplies (including the availability of acid for Inkai's operations in Kazakhstan and hydrofluoric acid at our conversion facilities)
- transportation disruptions
- electrical power interruptions
- equipment failures
- catastrophic accident
- fires
- blockades or other acts of social or political activism
- regulatory constraints
- natural phenomena, such as inclement weather conditions, floods and earthquakes
- unusual or unexpected geological or hydrological conditions
- underground floods
- ground movement or cave-ins
- tailings pipeline or dam failures
- adverse mining conditions
- technological failure of mining methods.

There is no assurance that any of the above risks will not result in:

- damage to or destruction of our properties and facilities located on these properties
- personal injury or death
- environmental damage
- delays in, interruptions of, or decrease in production at our mines, our mills, our refining, conversion or fuel manufacturing facilities, our exploration or development activities or transportation of our products
- interruptions or decreases in electricity generation from BPLP
- costs, expenses or monetary losses
- legal liability
- adverse government action.

Any of these events could result in one or more of our operations becoming unprofitable, cause us not to receive an adequate return on invested capital, or have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

Insurance coverage

We buy insurance to cover losses or liabilities arising from some of the operating risks and hazards listed above. We believe we have a reasonable amount of coverage for the risks we choose to insure against. There is no assurance, however, that this coverage will be adequate in all circumstances, that it will continue to be available, that premiums will be economically feasible, or that we will maintain this coverage. Like other nuclear energy and mining companies, we do not have insurance coverage for certain environmental losses or liabilities and other risks, either because it is not available, or because it cannot be purchased at a reasonable cost.

Not having the right insurance coverage or the right amount of coverage, or choosing not to insure against certain risks, could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Flooding at our Saskatchewan mines

All of our operating mines in Saskatchewan have had water inflows, and our Cigar Lake development project in Saskatchewan has flooded in the past.

McArthur River

The sandstone that overlays the basement rocks of the McArthur River deposit contains large volumes of water at significant pressure. Ground freezing at McArthur River generally prevents water from flowing into the area being mined, but there are technical challenges with the groundwater and rock properties.

We temporarily suspended production at our McArthur River mine in April 2003 because increased water inflow from an area of collapsed rock in a new development area began to flood portions of the mine. This caused a major setback in the development of new mining zones.

Cigar Lake

The Cigar Lake deposit has hydro-geological characteristics and technical challenges that are similar to those at McArthur River. We have had three water inflows at Cigar Lake since 2006 (please see pages 49 and 50 for details).

These water inflows have caused:

- a significant delay in development and production at the property
- a significant increase in capital costs
- the need to notify many of our customers of the interruption in planned uranium supply.

Rabbit Lake

We temporarily reduced our underground activities at Rabbit Lake in November 2007, because there was an increase in water flow from a mining area while an equipment upgrade was limiting surface water-handling system capacity. Rabbit Lake resumed normal mining operations in late December 2007, after the source of the water inflow was plugged.

There is no guarantee that there will not be water inflows at McArthur River, Cigar Lake or Rabbit Lake in the future. A water inflow could have a material and adverse effect on us, including:

- significant delays or interruptions in production or lower production
- significant delays or interruptions in mine development or remediation activities
- loss of mineral reserves
- a material increase in capital or operating costs.

It could also have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects. The degree of impact depends on the magnitude, location and timing of the flood or water inflow. Floods and water inflows are generally not insurable.

Technical challenges at Cigar Lake and McArthur River

The unique nature of the deposits at McArthur River and Cigar Lake pose many technical challenges, including groundwater management, unstable rock properties, radiation protection, mining methods, ore-handling and transport. If we are unable to resolve any of these technical challenges, it could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Tailings management

Our Key Lake and Rabbit Lake mills produce tailings. Managing these tailings is integral to uranium production.

Key Lake

The Key Lake mill deposits tailings from processing McArthur River ore into the Deilmann TMF. In February 2009, we received regulatory approval to deposit the tailings at a higher elevation at that facility. This gives us five to six years of capacity at current production rates, assuming we experience only minor losses in storage capacity because of sloughing from the pit walls. We also completed prefeasibility work in 2009, to assess our options for additional long-term tailings storage. Technical studies and environmental assessment work are underway to support our application for regulatory approval to deposit tailings at a significantly higher elevation in the Deilmann TMF. This would provide us with enough tailings capacity to support many more years of mill production.

Rabbit Lake

The Rabbit Lake in-pit tailings management facility has the capacity to store tailings from milling ore from Rabbit Lake and a portion of Cigar Lake uranium solution until mid-2016. We are planning for an expansion of the tailings management facility to be ready by mid-2016. This will support the extension of Rabbit Lake's mine life, accommodate tailings from processing Cigar Lake solution, and provide a modest increase in tailings capacity. We need to complete an environmental assessment to receive regulatory approval for the expansion in tailings capacity.

If sloughing or other issues prevent us from maintaining the existing tailings management capacity at the Deilmann TMF and Rabbit Lake pit, or if we are delayed or do not receive regulatory approval for new or expanded tailings facilities, uranium production could be constrained and this could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Aging facilities

Our Key Lake and Rabbit Lake mills are old and being refurbished. Our Port Hope fuel services facilities are also aging. This exposes us to a number of risks, including the potential for higher maintenance and operating costs, the need for significant capital expenditures to upgrade and refurbish these facilities, the potential for decreases or delays in, or interruption of, uranium and fuel services production, and the potential for environmental damage.

BPLP's nuclear generating stations are also aging. Testing and inspection programs have identified issues relating to the equipment life cycle, including corrosion of the steam generator tube, thinning of the feeder pipe wall and contact between the pressure tube and calandria tube. While we understand these conditions are a function of design, the equipment has degraded more quickly than anticipated.

No nuclear generating station using Candu technology has completed a full life cycle yet, so it is possible that BPLP may have to invest a significant amount of capital in repairing or replacing this and other equipment. BPLP may need

to increase its preventive maintenance programs and allow more outage time (a period when a nuclear reactor is not operating) than currently planned.

These risks could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations or on BPLP's contribution to our earnings, cash flows, financial condition or results of operations.

Reliance on development and expansion projects to fuel growth

Our ability to increase our uranium production depends in part on successfully developing new mines and/or expanding existing operations. Cigar Lake is our major development project and we have several other projects under evaluation: expansion of production from Inkai blocks 1 and 2 and development of Inkai block 3 in Kazakhstan, McArthur River extension, expansion of production from our US ISR operations, development of Millennium in Saskatchewan, and development of Kintyre in Australia.

Several factors affect the economics and success of development projects:

- capital and operating costs
- metallurgical recoveries
- the accuracy of reserve estimates
- government regulations
- availability of appropriate infrastructure, particularly power and water
- future uranium prices
- the accuracy of feasibility studies
- acquiring surface or other land rights
- receiving necessary government permits.

Development projects have no operating history that can be used to estimate future cash flows. We have to invest a substantial amount of capital and time to develop a project and achieve commercial production. A change in costs or construction schedule can affect the economics of a project. Actual costs could increase significantly and economic returns could be materially different from our estimates. We could fail to obtain the necessary governmental approvals for construction or operation. In any of these situations, a development project might not proceed according to its original timing, or at all.

It is not unusual in the nuclear energy or mining industries for new operations to experience unexpected problems during start-up, resulting in delays, higher capital expenditures than anticipated and reductions in planned production. Delays, additional costs or reduced production could have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

There is no assurance we will be able to complete the development of new mines, or expand existing operations, economically or on a timely basis.

Developing additional reserves to sustain operations

The McArthur River, Rabbit Lake and Inkai mines are currently our main sources of mined uranium concentrates. We expect the reserves at our Rabbit Lake mine to be depleted in 2017.

As the reserves at these mines are depleted, our mineral reserves will decrease. We may not be able to sustain production if:

- the Cigar Lake deposit is not successfully developed and does not achieve its planned level of production
- the Inkai block 3, Millennium and Kintyre deposits are not successfully developed
- production from our US ISR sites is not increased
- we do not identify, discover or acquire other deposits
- we do not find extensions to existing orebodies, or
- we do not convert resources to reserves at our mines and development projects.

This could have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

Although we have successfully replenished reserves in the past through ongoing exploration, development and acquisition programs, there is no assurance that we will be successful in our current or future exploration, development or acquisition efforts. We believe that Cigar Lake will achieve its planned levels of production, but there is no assurance it will.

Nuclear operations risks

Risks, hazards and potential legal liability with nuclear power

Operating nuclear generating stations has inherent risks, including a substantial risk of liability and the potential for operating costs to rise significantly.

Risks and hazards can result from structural problems, technological problems, nuclear fuel supply, equipment failures, maintenance requirements, regulatory and environmental constraints, security requirements and the storage, handling and disposal of radioactive materials, among other things.

BPLP's risk management strategies include the safety systems that are a part of Candu technology, but there is no assurance that risk can be minimized or eliminated. An accident at a nuclear installation anywhere in the world, or other issues, could prompt the CNSC to limit the electrical output or the operation of the Bruce nuclear generation stations, or impose significant conditions on its licence. Any type of accident could also have an impact on the future prospects for nuclear generation.

There is no assurance that these risks and hazards will not result in:

- damage to or destruction of BPLP's nuclear facilities
- personal injury or death
- environmental damage
- delays in, interruption or decrease of electrical generation or halting of electrical generation from BPLP's facilities
- costs, expenses or monetary losses
- legal liability
- adverse government action.

Any of these things could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Impact of unplanned or extended outages on electrical production

We can be affected by planned outages that are significantly longer than scheduled, and unplanned outages that extend over a period of time. Either of these situations could result in less electricity generated than expected, which could significantly affect BPLP's contribution to our earnings, cash flows, financial condition or results of operations.

Dependence on reliable transmission systems

BPLP's ability to sell electricity depends on the capacity, reliability and regulation of the Ontario electricity transmission system and other North American electricity transmission systems that are connected to the Ontario grid. Inadequate or unreliable electricity transmission capacity or disruptions in electricity transmission systems could have a material and adverse effect on BPLP's contribution to our earnings, cash flows, financial condition or results of operations.

Impact of weather and economic conditions on electrical production

BPLP's earnings are sensitive to variations in the weather. Variations in winter weather affect the demand for electrical heating, while variations in summer weather affect the demand for electrical cooling.

Industrial and wholesale demand for electricity in Ontario has decreased because of weak economic conditions in the province and some parts of North America. Wholesale demand has declined significantly since 2004, however, Ontario demand in 2010 was up by 2% or 3 TWh compared to 2009. While this increase signals a positive change in the economy, we believe it will take some time for demand to return to prior levels.

Dependence on a single contractor

BPLP depends on OPG and AECL as single source contractors for certain nuclear support services.

Relying on a single contractor creates a security supply risk for BPLP. If either of these suppliers does not provide quality service, timely service, or in the case of OPG, agree to extend the term of short-term material service agreements, it could have a material and adverse effect on BPLP's contribution to our earnings, cash flows, financial condition or results of operations.

Major nuclear incident risk

Although the safety record of nuclear reactors has generally been very good, there have been accidents and other unforeseen problems in the former USSR, the United States and in other countries. The consequences of a major incident can be severe and include loss of life, property damage and environmental damage. Any resulting liability from a major nuclear incident could exceed BPLP's resources, and its insurance coverage. In addition, an accident or other significant event at a nuclear plant — owned by others or by BPLP — could result in increased regulation, less public support for nuclear fueled energy, lower demand for uranium and lower uranium prices. This could significantly affect BPLP's contribution to our earnings, cash flows, financial condition or results of operations and have a material and adverse effect on our own earnings, cash flows, financial condition, results of operations or prospects.

Labour and employment

People are core to our business. We compete with other nuclear energy and mining companies for talented, quality people, and we may not always be able to fill positions on a timely basis. There is a limited pool of skilled people and competition is intense. We will need additional financial, administrative, technical and operations staff to fill key positions as our business activity grows and we experience employee turnover because of an aging workforce.

If we cannot attract and train qualified successors for our senior and operating positions, it could reduce the efficiency of our operations and have an adverse effect on our earnings, cash flows, financial condition or results of operations.

We have unionized employees and face the risk of strikes. At December 31, 2010, we had 3,300 employees (including employees of our subsidiaries, but not including Inkai or BPLP). This includes 890 unionized employees at McArthur River, Key Lake, Port Hope and at CFM's facilities, who are members of four different locals of the United Steelworkers trade union. BPLP has 3,700 employees, and most of them are unionized.

- The collective agreement with the bargaining unit employees at CFM expires on June 1, 2012. This agreement was signed following a three-month strike in 2009.
- The collective agreement with the bargaining unit employees at the McArthur River and Key Lake operations expires on December 31, 2013.
- The collective agreement with the bargaining unit employees at the Port Hope conversion facility expires on June 30, 2013.
- BPLP's collective agreements with both the Power Workers' Union and The Society of Energy Professionals expired in December 2010. BPLP has reached a tentative agreement with the Power Workers' Union and discussions with the Society are underway.

We cannot predict whether we or BPLP will reach new collective agreements with these and other employees without a work stoppage or work interruptions while negotiations are underway.

From time to time, the mining or nuclear energy industry experiences a shortage of tradespeople and other skilled or experienced personnel globally, regionally or locally. We have a comprehensive strategy to attract and retain high calibre people, but there is no assurance this strategy will protect us from the effects of a labour shortage.

A lengthy work interruption or labour shortage could have an adverse effect on our earnings, cash flows, financial condition or results of operations.

Joint ventures

We participate in McArthur River, Key Lake, Cigar Lake, Inkai, Millennium, Kintyre, BPLP and GLE through joint ventures with third parties. Some of these joint ventures are unincorporated, some are incorporated (like Inkai and GLE) and some are partnerships or limited partnerships (like BPLP). We have other joint ventures and may enter into more in the future.

There are risks associated with joint ventures, including:

- disagreement with a joint venture partner about how to develop, operate or finance a project
- a joint venture partner not complying with a joint venture agreement
- possible litigation between joint venture partners about joint venture matters
- the inability to exert control over decisions related to a joint venture we do not have a controlling interest in.

Our joint venture partner in Kazakhstan is a state entity, so its actions and priorities could be dictated by government policies instead of commercial considerations.

These risks could result in legal liability, affect our ability to develop or operate a project under a joint venture, or have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Uranium exploration is highly speculative

Uranium exploration is highly speculative and involves many risks, and few properties that are explored are ultimately developed into producing mines.

Even if mineralization is discovered, it can take several years in the initial phases of drilling until a production decision is possible, and the economic feasibility of developing an exploration property may change over time. We are required to make a substantial investment to establish proven and probable mineral reserves, to determine the optimal metallurgical process to extract minerals from the ore, to construct mining and processing facilities (in the case of new properties) and to extract and process the ore. We might abandon an exploration project because of poor results or because we feel that we cannot economically mine the mineralization.

Given these uncertainties, there is no assurance that our exploration activities will be successful and result in new reserves to expand or replace our current mineral reserves.

Infrastructure

Mining, processing, development and exploration can only be successful with adequate infrastructure. Reliable roads, bridges, power sources and water supply are important factors that affect capital and operating costs and the ability to deliver products on a timely basis.

Our activities could be negatively affected if unusual weather, interference from communities, government or others, aging, sabotage or other causes affect the quality or reliability of the infrastructure.

A lack of adequate infrastructure could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Supplies and contractors

Supplies

We buy reagents and other production inputs and supplies from suppliers around the world. If there is a shortage of any of these supplies, including parts and equipment, or their costs rise significantly, it could limit or interrupt production or increase production costs. It could also have an adverse effect on our ability to carry out operations or have a material and adverse effect on our earnings, cash flows, financial condition or results of operations. We are examining our entire supply chain to identify areas to diversify or add inventory where we may be vulnerable, but there is no assurance that we will be able to mitigate the risk.

Contractors

In some cases we rely on a single contractor to provide us with reagents or other production inputs and supplies. Relying on a single contractor is a security supply risk because we may not receive quality service, timely service, or service that otherwise meets our needs. These risks could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

2 — Political risks

Foreign investments and operations

We do business in countries and jurisdictions outside of Canada and the United States, including the developing world, and invest in companies that also carry out these activities in these countries. Doing business in these countries poses risks because they have different economic, cultural, regulatory and political environments. Future economic and political conditions could also cause the governments of these countries to change their policies on foreign investments, development and ownership of mineral resources, or impose other restrictions, limitations or requirements that we may not foresee today.

Risks related to doing business in a foreign country can include:

- uncertain political and economic environments
- strong governmental control and regulation
- lack of an independent judiciary
- war, terrorism and civil disturbances
- crime, corruption, making improper payments or providing benefits that may violate Canadian or United States law or laws relating to foreign corrupt practices
- unexpected changes in governments and regulatory officials
- uncertainty or disputes as to the authority of regulatory officials
- changes in a country's laws or policies, including those related to mineral tenure, mining, imports, exports, tax, duties and currency
- cancellation or renegotiation of permits or contracts
- royalty and tax increases or other claims by government entities, including retroactive claims
- expropriation and nationalization
- delays in obtaining the necessary permits or the inability to obtain or maintain them
- currency fluctuations
- high inflation
- joint venture partners falling out of political favour
- restrictions on local operating companies selling their production offshore, and holding US dollars or other foreign currencies in offshore bank accounts
- import and export regulations, including restrictions on the export of uranium
- limitations on the repatriation of earnings
- increased financing costs.

If one or more of these risks occur, it could have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

We also risk being at a competitive disadvantage to companies from countries that are not subject to Canadian or United States law or laws relating to foreign corrupt practices.

We enter into joint venture arrangements with local partners from time to time to mitigate political risk. There is no assurance that these joint ventures will mitigate our political risk in a foreign jurisdiction.

We assess the political risk associated with each of our foreign investments and have political risk insurance to mitigate part of the losses that can arise from some of these risks. From time to time, we assess the costs and benefits of maintaining this insurance and may decide not to buy this coverage in the future. There is no assurance that the insurance will be adequate to cover every loss related to our foreign investments, that coverage will continue to be available or that premiums will be economically feasible. These losses could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations if they are not adequately covered by insurance.

Kazakhstan

Inkai has a contract with the Kazakhstan government and was granted licences to conduct mining and exploration activities there. Its ability to conduct these activities, however, depends on licences being renewed and other government approvals being granted.

To maintain and increase production at Inkai, we need ongoing support, agreement and co-operation from our partner, Kazatomprom, and from the government. Kazakh foreign investment, environmental and mining laws and regulations are still developing, so it can be difficult to predict how they will be applied. Inkai's best efforts may therefore not always reflect full compliance with the law, and non-compliance can lead to an outcome that is disproportionate to the nature of the breach.

Subsoil law

Amendments to the subsoil law in 2007 allow the government to reopen resource use contracts in certain circumstances, and in 2009, the Kazakhstan government passed a resolution that classified 231 blocks, including all three Inkai blocks, as strategic deposits. These actions may increase the government's ability to expropriate Inkai's properties in certain situations. In 2009, at the request of the Kazakhstan government, Inkai amended the resource use contract to adopt a new tax code, even though the government had agreed to tax stabilization provisions in the original contract.

A new subsoil use law went into effect in 2010 that weakens the stabilization guarantee of the prior law. This development reflects increased political risk in Kazakhstan.

Nationalization

Industries like mineral production are regarded as nationally or strategically important, but there is no assurance they will not be expropriated or nationalized. Government policy can change to discourage foreign investment and renationalize mineral production, or the government can implement new limitations, restrictions or requirements.

There is no assurance that our assets in Kazakhstan and other countries will not be nationalized, taken over or confiscated by any authority or body, whether the action is legitimate or not. While there are provisions for compensation and reimbursement of losses to investors under these circumstances, there is no assurance that these provisions would restore the value of our original investment or fully compensate us for the investment loss. This could have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

Government regulations

Our operations in Kazakhstan may be affected in varying degrees by government regulations restricting production, price controls, export controls, currency controls, taxes and royalties, expropriation of property, environmental, mining and safety legislation, and annual fees to maintain mineral properties in good standing. There is no assurance that the laws in Kazakhstan protecting foreign investments will not be amended or abolished, or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. There is also no assurance that the resource use contract can be enforced or will provide adequate protection against any or all of the risks described above.

See page 37 for a more detailed discussion of the regulatory and political environment in Kazakhstan.

Australia

State governments in Australia have prohibited uranium mining or uranium exploration from time to time, and from 2002 to 2008, uranium mining was banned in Western Australia, where our Kintyre development project is located. A prohibition or restriction on uranium exploration or mining in the future that interferes with the development of Kintyre could have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

3 — Regulatory risks

Government laws and regulation

Our operations and exploration activities are subject to extensive laws and regulations.

There are laws and regulations for uranium exploration, development, mining, milling, refining, conversion, fuel manufacturing, transport, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, decommissioning and reclamation, safety, hazardous substances, emergency response, land use, water use and other matters.

Significant financial and management resources are required to comply with these laws and regulations, and this will likely continue as laws and government regulations become more and more strict. We are unable to predict the ultimate cost of compliance or its effect on our operations because legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees.

Some of our operations are regulated by government agencies that exercise discretionary powers conferred by statute. If these agencies do not apply their discretionary authority consistently, we may not be able to predict the ultimate cost of complying with these requirements or their effect on operations.

Existing, new or changing laws, regulations and standards of regulatory enforcement could increase costs, lower, delay or interrupt production or affect decisions about whether to continue with existing operations or development projects. This could have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

If we do not comply with the laws and regulations that apply to our business, regulatory or judicial authorities could take any number of enforcement actions, including:

- corrective measures that require us to increase capital or operating expenditures or install additional equipment
- remedial actions that result in temporary or permanent shut-down or reduction of our operations
- requirements that we compensate communities that suffer loss or damage because of our activities
- civil or criminal fines or penalties.

Legal and political circumstances are different outside North America, which can change the nature of regulatory risks in foreign jurisdictions when compared with regulatory risks associated with operations in North America.

Permitting and licensing

All uranium mining projects and conversion facilities around the world require government approvals, licences or permits, and our operations and development projects in Canada, the US, Kazakhstan and Australia are no exception.

The development and operation of uranium mines and conversion facilities can only be carried out by entities that have received the appropriate approvals, permits and licences according to applicable laws and regulations. Depending on the location of the project, this can be a complex and time consuming process involving multiple government agencies.

We have to obtain and maintain many approvals, licences and permits from the appropriate regulatory authorities, but there is no assurance that they will grant or renew them, approve any additional licences or permits for potential changes to our operations in the future or in response to new legislation, or that they will process any of the applications on a timely basis. Stakeholders, like environmental groups, non-government organizations (NGOs) and aboriginal groups claiming rights to traditional lands, can raise legal challenges. A significant delay in obtaining or renewing the necessary approvals, licences or permits, or failure to receive the necessary approvals, licences or permits, could interrupt or prevent the development or operation of our mines and conversion facilities, which could have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

Nuclear plant regulation

BPLP's nuclear electricity business is subject to extensive government regulations covering nuclear operations, nuclear waste management and decommissioning and environmental matters, and the Bruce B operating licence for its nuclear generation facilities can be revoked if BPLP does not comply. The government also can impose additional conditions on the licences, or impose fines or other penalties. Regulations are promulgated under federal and provincial law.

Because studies revealed that emergency shutdown systems might not have sufficient safety margins for low probability events, the CSNC limited the four Bruce B units to 90% of operating power. The CNSC later approved the uprating of the units to 93% of operating power, but there is no assurance that the CNSC will not significantly derate them in the future.

Compliance with these regulations, the imposition of additional conditions, fines or penalties or a derating of the Bruce B units could have a material adverse effect on BPLP's contribution to our earnings, cash flows, financial condition or results of operations.

Regulation of the Ontario electricity market

The government of Ontario regulates Ontario's electricity industry, which opened to competition on May 1, 2002 in both the wholesale and retail markets. The government has since announced regulatory changes, and could make additional or fundamental changes to the structure of the electricity market or new market rules based on the experience of the regulatory authorities and market participants.

Any of these factors could have a material and adverse effect on BPLP's contribution to our earnings, cash flows, financial conditions or results of operations.

4 — Financial risks

Volatility and sensitivity to prices

Since a significant portion of our revenues come from the sale of uranium and conversion services, our earnings and cash flow are closely related to, and sensitive to, fluctuations in the long and short-term market prices of U_3O_8 and uranium conversion services.

Many factors beyond our control affect these prices, including the following, among others:

- demand for nuclear power
- forward contracts of U_3O_8 supplies by nuclear power plants
- political and economic conditions in countries producing and buying uranium
- reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails
- sales of excess civilian and military inventories of uranium by governments and industry participants (including uranium from dismantling nuclear weapons)
- levels of uranium production and production costs
- significant interruptions in production or delays in expansion plans or new mines going into production
- investment and hedge fund activity in the uranium market.

We cannot predict the effect that any one or all of these factors will have on the price of U_3O_8 and uranium conversion services. Prices have fluctuated widely in the last several years, and there have been significant declines since 2007.

The table below shows the range in spot prices over the last five years.

	2006	2007	2008	2009	2010
Range of spot uranium prices US$/lb of U_3O_8					
High	$ 72.00	$ 135.50	$ 76.50	$ 51.50	$ 62.25
Low	37.50	75.00	45.50	42.00	40.75
Spot UF_6 conversion values US$/kg U					
High	$ 11.75	$ 11.63	$ 9.50	$ 8.50	$ 13.00
Low	11.25	8.75	8.00	5.75	5.38

The next table shows the range in term prices over the last five years.

	2006	2007	2008	2009	2010
Range of term uranium prices US$/lb of U_3O_8					
High	$ 72.00	$ 95.00	$ 95.00	$ 69.50	$ 66.00
Low	37.00	75.00	70.00	61.00	59.00
Term UF_6 conversion values US$/kg U					
High	$ 12.25	$ 12.25	$ 12.25	$ 12.25	$ 15.00
Low	11.75	12.25	12.25	11.00	11.00

Notes

Spot and term uranium prices are the average of prices published monthly by Ux Consulting and from The Nuexco Exchange Value, published by TradeTech.

Spot and term UF_6 conversation values are the average of prices published monthly by Ux Consulting and from The Nuexco Conversion Value, published by TradeTech.

If prices for U_3O_8 or uranium conversion services fall below our own production costs for a sustained period, continued production or conversion at our sites may cease to be profitable. This would have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

Declines in U_3O_8 prices could also delay or deter a decision to build or begin commercial production at one or more of our development projects, or adversely affect our ability to finance these development projects. Either of these could have an adverse effect on our future earnings, cash flows, financial condition, results of operations or prospects.

A sustained decline in U_3O_8 prices may require us to write down our mineral reserves and mineral resources, and any significant write downs may lead to material write downs of our investment in the mining properties affected, and an increase in charges for amortization, reclamation and closures.

We use a uranium contracting strategy as a way to reduce volatility in our future earnings and cash flow from exposure to fluctuations in uranium prices. It involves building a portfolio that consists of fixed-price contracts and market-related contracts with terms of 10 years or more. This strategy can create opportunity losses because we may not benefit fully if there is a significant increase in U_3O_8 prices. This strategy also creates currency risk since we receive payment under the majority of our sales contracts in US$. There is no assurance that our contracting strategy will be successful.

We participate in the uranium spot market from time to time, making purchases so we can put material into higher priced contracts. There are, however, risks associated with spot market purchases, including the risk of losses, which could have an adverse effect on our earnings, cash flows, financial condition or results of operations.

Spot market electricity prices

Electricity prices can be volatile. BPLP's risk management activities include trading electricity and related contracts to mitigate these risks. There is no assurance, however, that the activities will be successful.

Reserve, resource, production and capital cost estimates

Reserve and resource estimates are not precise

Our mineral reserves and resources are the foundation of our uranium mining operations. They dictate how much uranium concentrate we can produce, and for how many years.

The uranium mineral reserves and resources reported in this AIF are estimates, and are therefore subjective. There is no assurance that the indicated tonnages or grades of uranium will be mined or milled or that we will receive the uranium price we used in estimating these reserves.

While we believe that the mineral reserve and resource estimates included in this AIF are well established and reflect management's best estimates, reserve and resource estimates, by their nature, are imprecise, do not reflect exact quantities and depend to a certain extent on statistical inferences that may ultimately prove unreliable. The volume and grade of reserves we actually recover, and rates of production from our current mineral reserves, may be less than the estimate of the reserves. Fluctuations in the market price of uranium, changing exchange rates and operating and capital costs can make reserves uneconomic to mine in the future and ultimately cause us to reduce our reserves.

Short-term operating factors relating to mineral reserves, like the need for orderly development of orebodies or the processing of different ore grades, can also prompt us to modify reserve estimates or make reserves uneconomic to mine in the future, and can ultimately cause us to reduce our reserves. Reserves also may have to be re-estimated based on actual production experience.

Mineral resources may ultimately be reclassified as proven or probable mineral reserves if they demonstrate profitable recovery. Estimating reserves or resources is always affected by economic and technological factors, which can change over time, and experience in using a particular mining method. There is no assurance that any resource estimate will ultimately be reclassified as proven or probable reserves. If we do not obtain or maintain the necessary permits or government approvals, or there are changes to applicable legislation, it could cause us to reduce our reserves.

Mineral resource and reserve estimates can be uncertain because they are based on data from limited sampling and drilling and not from the entire orebody. As we gain more knowledge and understanding of an orebody, the resource and reserve estimate may change significantly, either positively or negatively.

If our mineral reserve or resource estimates for our uranium properties are inaccurate or are reduced in the future, it could:

- require us to write down the value of an operating property or development project
- result in lower uranium concentrate production than previously estimated
- require us to incur increased capital or operating costs, or
- require us to operate mines or facilities unprofitably.

This could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations or prospects.

Production and capital cost estimates may be inaccurate

We prepare estimates of future production and capital costs for particular operations, but there is no assurance we will achieve these estimates. Estimates of expected future production and capital costs are inherently uncertain, particularly beyond one year, and could change materially over time.

Production and capital cost estimates for McArthur River also assume the successful transition to new mining areas. Production and capital cost estimates for Cigar Lake assume that remediation and development activities are completed successfully. Production and capital cost estimates for Inkai assume it receives regulatory and partner approvals to increase production to planned levels, including in 2011 and 2012.

Production estimates for uranium refining, conversion and fuel manufacturing assume there is no disruption or reduction in supply from us or third party sources, and that estimated rates and costs of processing are accurate, among other things.

Our actual production and capital costs may vary from estimates for a variety of reasons, including, among others:

- actual ore mined varying from estimated grade, tonnage, dilution, metallurgical and other characteristics
- mining and milling losses greater than planned
- short-term operating factors relating to the ore, such as the need for sequential development of orebodies and the processing of new or different ore grades
- risk and hazards associated with mining, milling, uranium refining, conversion and fuel manufacturing
- failure of mining methods and plans
- failure to obtain and maintain the necessary regulatory and partner approvals
- lack of tailings capacity
- natural phenomena, such as inclement weather conditions or floods
- labour shortages or strikes
- delay or lack of success in mining new areas at McArthur River, completing remediation and development activities at Cigar Lake or completing construction activities
- delays, interruption or reduction in production or construction activities due to fires, failure of critical equipment, shortage of supplies, underground floods, earthquakes, tailings dam failures, lack of tailings capacity, ground movements and cave-ins, or other difficulties.

Failure to achieve production or capital cost estimates could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Currency fluctuations

Our earnings and cash flow may also be affected by fluctuations in the exchange rate between the Canadian and US dollar. Our sales of uranium and conversion services are mostly denominated in US dollars, while the production costs of both are denominated primarily in Canadian dollars. Our consolidated financial statements are expressed in Canadian dollars.

Any fluctuations in the exchange rate between the US dollar and Canadian dollar can result in favourable and unfavourable foreign currency exposure, which can have a material effect on our future earnings, cash flows, financial condition or results of operations, as has been the case in the past. While we use a hedging program to limit any adverse effects of fluctuations in foreign exchange rates, there is no assurance that these hedges will eliminate the potential material negative impact of fluctuating rates.

Customers

Our main business relates to the production and sale of uranium concentrates and providing uranium conversion services. We rely heavily on a small number of customers to purchase a significant portion of our uranium concentrates and conversion services.

From 2011 through 2013, we expect:

- our five largest customers to account for 36% of our contracted supply of U_3O_8
- our five largest UF_6 conversion customers to account for 43% of our contracted supply of UF_6 conversion services.

We are currently the only commercial supplier of UO_2 used by Canadian Candu heavy water reactors. Our sales to our largest customer accounted for 38% of our UO_2 sales in 2010.

In addition, revenues in 2010 from one customer of our uranium and conversion segments represented $126 million (8%) of our total revenues from those businesses. Sales for the Bruce A and B reactors represent a substantial portion of our fuel manufacturing business.

If we lose any of our largest customers or if any of them curtails their purchases, it could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Counterparty and credit risk

Our business operations expose us to the risk of counterparties not meeting their contractual obligations, including:

- customers
- suppliers
- financial institutions and other counterparties to our derivative financial instruments and hedging arrangements relating to foreign currency exchange rates and interest rates
- financial institutions which hold our cash on deposit
- insurance providers.

Credit risk is the risk that counterparties will not be able to pay for services provided under the terms of the contract. If a counterparty to any of our significant contracts defaults on a payment or other obligation or becomes insolvent, it could have a material and adverse effect on our cash flows, earnings, financial condition or results of operations.

Uranium products, conversion and fuel services

We manage the credit risk of our customers for uranium products, conversion and fuel services by:

- monitoring their creditworthiness
- asking for pre-payment or another form of security if they pose an unacceptable level of credit risk.

As of December 31, 2010, 97% of our forecast revenue under contract for the period 2011 to 2013 is with customers whose creditworthiness meets our standards for unsecured payment terms.

Electricity

Excluding revenue support payments from the Ontario government, BPLP's revenues come from two main sources:

- electricity sales through the spot market administered by government regulators
- electricity sales under medium-term and long-term power purchase and electricity price hedging agreements.

Spot market participants must meet standards for creditworthiness that are mandated by regulators, so we believe BPLP's credit risk for sales to these customers is effectively managed. If these purchasers do not provide adequate credit support to the regulators, all market participants, including BPLP, could be responsible for any shortfall, in proportion to their market activity.

BPLP requires purchasers under these agreements to meet certain standards for creditworthiness to manage credit risk. In some cases, they must provide financial assurances as security for non-performance.

Other

We manage the credit risk on our derivative and hedging arrangements, cash deposits and insurance policies by dealing with financial institutions and insurers that meet our credit rating standards and by limiting our exposure to individual counterparties.

We diversify or increase inventory in our supply chain to limit our reliance on a single contractor, or limited number of contractors. We also monitor the creditworthiness of our suppliers to manage the risk of suppliers defaulting on delivery commitments.

There is no assurance, however, that we will be successful in our efforts to manage the risk of default or credit risk.

Liquidity and financing

Nuclear energy and mining are extremely capital intensive businesses, and companies need significant ongoing capital to maintain and improve existing operations, invest in large scale capital projects with long lead times, and manage uncertain development and permitting timelines and the volatility associated with fluctuating uranium and input prices.

We believe our current financial resources are sufficient to support the exploration and development projects we have planned. If we expand these projects or our programs overall, we may need to raise additional financing through joint ventures, debt financing, equity financing or other means.

There is no assurance that we will obtain the financing we need, when we need it. Volatile uranium markets, a claim against us, a significant event disrupting our business or operations, or other factors may make it difficult or impossible for us to obtain debt or equity financing on favourable terms, or at all.

Operating and capital plans

We establish our operating and capital plans based on the information we have at the time, including expert opinions. There is no assurance, however, that these plans will not change as new information becomes available or there is a change in expert opinion.

Pre-feasibility and feasibility studies contain capital and operating costs, estimated production and economic returns and other estimates that may be significantly different than actual costs, and there is no assurance that they will not be higher than anticipated or than what was disclosed in the studies. Our estimates may also be different from those of other companies, so they should not be used to project operating profit.

Internal controls

We use internal controls over financial reporting to provide reasonable assurance that we authorize transactions, safeguard assets against improper or unauthorized use, and record and report transactions properly. This gives us reasonable assurance that our financial reporting is reliable, and prepared in accordance with generally accepted accounting principles.

It is impossible for any system to provide absolute assurance or guarantee reliability, regardless of how well it is designed or operated. We continue to evaluate our internal controls to identify areas for improvement and provide as much assurance as reasonably possible. We conduct an annual assessment of our internal controls over financial reporting and produce an attestation report of their effectiveness by our independent auditors to meet the requirement of Section 404 of the Sarbanes-Oxley Act of 2002.

If we do not satisfy the requirements for internal controls on an ongoing, timely basis, it could negatively affect investor confidence in our financial reporting, which could have an impact on our business and the trading price of our common shares. If a deficiency is identified and we do not introduce new or better controls, or have difficulty implementing them, it could harm our financial results or our ability to meet reporting obligations.

Carrying values of assets

We evaluate the carrying value of our assets to decide whether current events and circumstances indicate whether or not we can recover the carrying amount. This involves comparing the estimated fair value of our reporting units to their carrying values.

We base our fair value estimates on various assumptions, however, the actual fair values can be significantly different than the estimates. If we do not have any mitigating valuation factors or experience a decline in the fair value of our reporting units, it could ultimately result in an impairment charge.

5 — Environmental risks

Complex legislation and environmental, health and safety risk

Our activities have an impact on the environment, so our operations are subject to extensive laws and regulations relating to the protection of the environment, employee health and safety and waste disposal. We also face risks that are unique to uranium mining, processing and fuel manufacturing. Laws to protect the environment as well as employee health and safety are becoming more stringent for members of the nuclear energy industry.

Our facilities operate under various operating and environmental approvals, licences and permits that have conditions that we must meet as part of our regular business activities. In a number of instances, our right to continue operating these facilities depends on our compliance with these conditions.

Our ability to obtain approvals, licences and permits, maintain them, and successfully develop and operate our facilities may be adversely affected by the real or perceived impact of our activities on the environment and human health and safety at our development projects and operations and in the surrounding communities. The real or perceived impact of activities of other nuclear energy or mining companies can also have an adverse effect on our ability to secure and maintain approvals, licences and permits.

Our compliance with laws and regulations relating to the protection of the environment, employee health and safety, and waste disposal requires significant expenditures and can cause delays in production or project development. This has been the case in the past and may be so in future. Failing to comply can lead to fines and penalties, temporary or permanent suspension of development and operational activities, clean-up costs, damages and the loss of key approvals, permits and licences. We are exposed to these potential liabilities for our current development projects and operations as well as operations that have been closed. There is no assurance that we have been or will be in full compliance with all of these laws and regulations, or with all the necessary approvals, permits and licences.

Laws and regulations on the environment, employee health and safety, and waste disposal continue to evolve and this can create significant uncertainty around the environmental, employee health and safety, and waste disposal costs we incur. If new legislation and regulations are introduced in the future, they could lead to additional capital and operating costs, restrictions and delays at existing operations or development projects, and the extent of any of these possible changes cannot be predicted in a meaningful way.

Environmental and regulatory review is a long and complex process that can delay the opening, modification or expansion of a mine, conversion facility or refining facility, or extend decommissioning activities at a closed mine or other facility.

Our ability to foster and maintain the support of local communities and governments for our development projects and operations is critical to the conduct and growth of our business, and we do this by engaging in dialogue and consulting with them about our activities and the social and economic benefits they will generate. There is no assurance, however, that this support can be fostered or maintained. There is an increasing level of public concern relating to the perceived effect that nuclear energy and mining activities have on the environment and communities affected by the activities. Some NGOs are vocal critics of the nuclear energy and mining industries, and oppose globalization, nuclear energy and resource development. Adverse publicity generated by these NGOs or others, related to the nuclear energy industry or the extractive industry in general, or our operations in particular, could have an adverse effect on our reputation or financial condition and may affect our relationship with the communities we operate in. While we are committed to operating in a socially responsible way, there is no guarantee that our efforts will mitigate this potential risk.

These risks could delay or interrupt our operations or project development activities, delay, interrupt or lower our production and have a material and adverse effect on our earnings, cash flows, financial condition, results of operations or prospects.

Decommissioning and reclamation obligations

Environmental regulators are demanding more and more financial assurances so that the parties involved, and not the government, bear the cost of decommissioning and reclaiming sites.

We have filed decommissioning plans for some of our properties with the regulators. We review these plans every five years, or at the time of an amendment or renewal of an operating licence. Plans for our US sites are reviewed annually. Regulators may conduct a further review of the detailed decommissioning plans, and this can lead to additional requirements, costs and financial assurances. It is not possible to predict what level of decommissioning and reclamation and financial assurances regulators may require in the future.

If we must comply with additional regulations, or the actual cost of decommissioning and reclamation in the future is significantly higher than our current estimates, this could have a material and adverse effect on our future earnings, cash flows, financial condition or results of operations.

In addition, if a previously unrecognized reclamation liability becomes known or a previously estimated decommissioning or reclamation cost is increased, the amount of that liability or additional cost is expensed, and this can have a material negative effect on our net income for the period.

Nuclear waste management and decommissioning (Bruce Power)

BPLP is subject to extensive federal regulation related to nuclear waste management. Not complying with the regulations could lead to:

- prosecution, and possibly cause the operating licences for its nuclear generation facilities to be revoked
- additional conditions imposed under the licences
- fines and other penalties.

If BPLP releases radioactive material at higher than the prescribed limits, it could lead to a government ordered investigation, control and/or remediation of the release and claims from third parties for harm caused by the release. BPLP already incurs substantial costs for nuclear waste management and changes in federal regulation could result in additional costs that could have a material and adverse effect on BPLP's contribution to our earnings, cash flows, financial condition or results of operations.

The wet bays at Bruce B have limited capacity to store used nuclear fuel. Under its contract with BPLP, OPG has started collecting used nuclear fuel bundles, stored in the wet bays, for transport and storage at the OPG dry storage facility at the Bruce site. OPG has title to all used nuclear fuel bundles in the wet bays. If OPG fails to continue providing adequate service to collect the used fuel bundles, does not do it on a timely basis, or experiences problems associated with the station modifications in the wet bays to support the loading of bundles into dry storage containers, this could have a material and adverse effect on BPLP's contribution to our earnings, cash flows, financial condition or results of operations.

6 — Legal and other risks

Litigation

We and BPLP are currently subject to litigation or threats of litigation, and may be involved in disputes with other parties in the future that result in litigation.

We cannot accurately predict the outcome of any litigation. If a dispute cannot be resolved favourably, it may delay or interrupt our operations or project development activities and have a material and adverse effect on our earnings, cash flows, financial condition or results of operations. See *Legal proceedings* on page 111 for more information.

Legal rights

If a dispute arises at our foreign operations, it may be under the exclusive jurisdiction of foreign courts, or we may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. We could also be hindered or prevented from enforcing our rights relating to a government entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provision of the resource use contract for Inkai and Russian HEU commercial agreement stipulate that any dispute between the parties is to be submitted to international arbitration. There is no assurance, however, that a particular government entity or instrumentality will either comply with the provisions of these or any other agreements, or voluntarily submit a dispute to arbitration. If we are unable to enforce our rights under these

agreements, this could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

Defects in title

We have investigated our rights to explore and exploit all of our material properties, and those rights are in good standing to the best of our knowledge. There is no assurance, however, that these rights will not be revoked or significantly altered to our detriment, or that our rights will not be challenged by third parties, including local governments and by indigenous groups, such as First Nations and Métis in Canada.

Indigenous rights, title claims and consultation

Managing indigenous rights, title claims and consultation is an integral part of our exploration, development and mining activities, and we are committed to managing them effectively. There is no assurance, however, that we will not face material adverse consequences because of the legal and factual uncertainties with these issues.

Saskatchewan

Activities at our various properties in Saskatchewan may be affected by title claims by the First Nations and Métis, and related consultation issues. These activities include:

- exploration, development and mining at McArthur River and Rabbit Lake, our uranium producing properties
- milling at Key Lake
- Cigar Lake, our development property
- Millennium, an exploration property.

We also face similar issues with our exploration activities in other provinces and countries. We have received formal demands from the English First River Nation and the Métis Nation of Saskatchewan to consult with and accommodate them when we operate or develop on traditional lands. All aboriginal groups in northern Saskatchewan expect this of us.

It is generally acknowledged that under historical treaties, First Nation bands in northern Saskatchewan ceded title to most traditional lands in the region in exchange for treaty benefits and reserve lands. First Nations in Saskatchewan, however, generally continue to assert that their treaties are not an accurate record of their agreement with the Canadian government and that they did not cede title to the minerals when they ceded title to their traditional lands. First Nations have launched a lawsuit in Alberta making a similar claim that they did not cede title to the oil and natural gas rights when they ceded title to their traditional lands. There is a risk that the First Nations in Saskatchewan may launch a similar lawsuit.

The English First River Nation has selected lands for designation as Treaty Land Entitlement (TLE) that covers the mineral claims for the Millennium uranium deposit. The Saskatchewan government rejected this selection in December 2008, but the English First River Nation has challenged that rejection in the courts. The TLE process does not affect the rights of our mining joint ventures. It may, however, affect the surface rights and benefits ultimately negotiated as part of the development of Millennium, and we are monitoring developments on the TLE issue.

Kintyre

To proceed with development of Kintyre in Australia, we must reach an agreement with the Martu, the native land title holders for this property. Negotiations are ongoing, but we are uncertain whether we will able to reach this agreement.

Fuel fabrication defects and product liability

We fabricate nuclear fuel bundles, other reactor components and monitoring equipment. These products are complex and may have defects that can be detected at any point in their product life cycle. Flaws in the products could materially and adversely affect our reputation, which could result in a significant cost to us and have a negative effect on our ability to sell our products in the future. We could also incur substantial costs to correct any product errors, which could have an adverse effect on our operating margins. While we introduced a new rigorous process for review and control in 2007, there is no guarantee that we will detect all defects or errors in our products.

It is possible that some customers may demand compensation if we deliver defective products. If there are a significant number of product defects, it could have a significant impact on our operating results.

Agreements with some customers may include specific terms limiting liability to customers. Even if there are limited liability provisions in place, existing or future laws, or unfavourable judicial decisions may make them ineffective. We have not experienced any material product liability claims to date, however, they could occur in the future because of the nature of nuclear fuel products. A successful product liability claim could result in significant monetary liability and could seriously disrupt our fuel manufacturing business and the company overall.

7 — Industry risks

Industry competition and international trade restrictions

The international uranium industry, which includes supplying uranium concentrates and providing uranium conversion services, is highly competitive. We market uranium to utilities, and directly compete with a relatively small number of uranium mining and enrichment companies in the world. Their supply may come from mining uranium, excess inventories, including inventories made available from decommissioning of nuclear weapons, reprocessed uranium and plutonium derived from used reactor fuel, and from using excess enrichment capacity to re-enrich depleted uranium tails.

The supply of uranium is affected by a number of international trade agreements and policies. These and any similar future agreements, governmental policies or trade restrictions are beyond our control and may affect the supply of uranium available in the US, Europe and Asia, the world's largest markets for uranium. If we cannot supply uranium to these important markets, it could have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

We compete with two other full scale commercial suppliers in the western world for UF_6 conversion services. We also compete with the availability of additional supplies from excess inventories, including those from decommissioning nuclear weapons and using excess enrichment capacity to re-enrich depleted uranium tails.

Any political decisions about the uranium market can affect our future prospects. There is no assurance that the US or other governments will not enact legislation that restricts who can buy or supply uranium, or facilitates a new supply of uranium.

Competition for sources of uranium

There is growing competition for mineral acquisition opportunities throughout the world, so we may not be able to acquire rights to explore additional attractive uranium mining properties on terms that we consider acceptable.

There is no assurance that we will acquire any interest in additional uranium properties, or buy additional uranium concentrates from the decommissioning of nuclear weapons or the release of excess government inventory, that will result in additional uranium concentrates we can sell. If we are not able to acquire these interests or rights, it could have a material and adverse effect on our future earnings, cash flows, financial condition or results of operations. Even if we do acquire these interests or rights, the resulting business arrangements may ultimately prove not to be beneficial.

Deregulation of the electrical utility industry

A significant part of our future prospects is directly linked to developments in the global electrical utility industry.

Deregulation of the utility industry, especially in the US and Europe, is expected to affect the market for nuclear and other fuels and could lead to the premature shutdown of some nuclear reactors.

Deregulation has resulted in utilities improving the performance of their reactors to record capacity, but there is no assurance this trend will continue.

Deregulation can have a material and adverse effect on our future earnings, cash flows, financial condition or results of operations.

Alternate sources of energy

Nuclear energy competes with other sources of energy like oil, natural gas, coal and hydro-electricity. These sources are somewhat interchangeable with nuclear energy, particularly over the longer term.

If lower prices of oil, natural gas, coal and hydro-electricity are sustained over time, it may result in lower demand for uranium concentrates and uranium conversion services, which could lead to lower uranium prices. Growth of the uranium and nuclear power industry will depend on continuing and growing acceptance of nuclear technology to generate electricity. Unique political, technological and environmental factors affect the nuclear industry, exposing it to the risk of public opinion, which could have a negative effect on the demand for nuclear power and increase the regulation of the nuclear power industry. An accident at a nuclear reactor anywhere in the world could affect the acceptance of nuclear energy and the future prospects for nuclear generation, which could have a material and adverse effect on our future earnings, cash flows, financial condition, results of operations or prospects.

Legal proceedings

We discuss any legal proceedings that we or our subsidiaries are a party to in notes 18 and 25 to the 2010 financial statements.

Investor information

Share capital

Our authorized share capital consists of:

- first preferred shares
- second preferred shares
- common shares
- one class B share.

Preferred shares

We do not currently have any preferred shares outstanding, but we can issue an unlimited number of first preferred or second preferred shares with no nominal or par value, in one or more series. The board must approve the number of shares, and the designation, rights, privileges, restrictions and conditions attached to each series of first or second preferred shares.

Preferred shares can carry voting rights, and they rank ahead of common shares and the class B share for receiving dividends and distributing assets if the company is liquidated, dissolved or wound up.

First preferred shares

Each series of first preferred shares ranks equally with the shares of other series of first preferred shares. First preferred shares rank ahead of second preferred shares, common shares and the class B share.

Second preferred shares

Each series of second preferred shares ranks equally with the shares of other series of second preferred shares. Second preferred shares rank after first preferred shares and ahead of common shares and the class B share.

Common shares

We can issue an unlimited number of common shares with no nominal or par value. Only holders of common shares have full voting rights in Cameco.

If you hold our common shares, you are entitled to vote on all matters that are to be voted on at any shareholder meeting, other than meetings that are only for holders of another class or series of shares. Each Cameco share you own represents one vote, except where noted below. As a holder of common shares, you are also entitled to receive any dividends that are declared by our board of directors.

Common shares rank *after* preferred shares with respect to the payment of dividends and the distribution of assets if the company is liquidated, dissolved or wound up, or any other distribution of our assets among our shareholders if we were to wind up our affairs.

Holders of our common shares have no pre-emptive, redemption, purchase or conversion rights for these shares. Except as described under *Ownership and voting restrictions,* non-residents of Canada who hold common shares have the same rights as shareholders who are residents of Canada.

As at February 10, 2011, we had 394,435,383 common shares outstanding. These were fully paid and non-assessable.

As of February 10, 2011, there were 7,432,998 stock options outstanding to acquire common shares of Cameco under the company's stock option plan.

Our articles of incorporation have provisions that restrict the issue, transfer and ownership of voting securities of Cameco (see *Ownership and voting restrictions* on pages 113 and 114).

Class B shares

The province of Saskatchewan holds our one class B share outstanding. It is fully paid and non-assessable.

The one class B share entitles the province to receive notices of and attend all meetings of shareholders, for any class or series.

The class B shareholder can only vote at a meeting of class B shareholders, and only as a class if there is a proposal to:

- amend Part 1 of Schedule B of the articles, which states that:
  - Cameco's registered office and head office operations must be in Saskatchewan
  - the vice-chairman of the board, chief executive officer (CEO), president, chief financial officer (CFO) and generally all of the senior officers (vice-presidents and above) must live in Saskatchewan
  - all annual meetings of shareholders must be held in Saskatchewan
- amalgamate, if it would require an amendment to Part 1 of Schedule B of the articles, or
- amend the articles in a way that would change the rights of class B shareholders.

The class B shareholder can request and receive information from us to determine whether or not we are complying with Part 1 of Schedule B of the articles.

The class B shareholder does not have the right to receive any dividends declared by Cameco. The class B share ranks after first and second preferred shares, but equally with common shareholders, with respect to the distribution of assets if the company is liquidated, dissolved or wound up. The class B shareholder has no pre-emptive, redemption, purchase or conversion rights with its class B share, and the share cannot be transferred.

Ownership and voting restrictions

The federal government established ownership restrictions when Cameco was formed so we would remain Canadian controlled. There are restrictions on issuing, transferring and owning Cameco common shares whether you own the shares as a registered shareholder, hold them beneficially or control your investment interest in Cameco directly or indirectly. These are described in the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada) (ENL Reorganization Act) and our company articles.

The following is a summary of the restrictions listed in our company articles.

Residents

A Canadian resident, either individually or together with associates, cannot hold, beneficially own or control shares or other Cameco securities, directly or indirectly, representing more than 25% of the votes that can be cast to elect directors.

Non-residents

A non-resident of Canada, either individually or together with associates, cannot hold, beneficially own or control shares or other Cameco securities, directly or indirectly, representing more than 15% of the total votes that can be cast to elect directors.

Voting restrictions

All votes cast at the meeting by non-residents, either beneficially or controlled directly or indirectly, will be counted and pro-rated collectively to limit the proportion of votes cast by non-residents to no more than 25% of the total shareholder votes cast at the meeting.

There have been instances in prior years, including 2010, when we have limited the counting of votes by non-residents of Canada at our annual meeting of shareholders to abide by this restriction. This has resulted in non-residents receiving less than one vote per share.

Enforcement

The company articles allow us to enforce the ownership and voting restrictions by:

- suspending voting rights
- forfeiting dividends and other distributions
- prohibiting the issue and transfer of Cameco shares
- requiring the sale or disposition of Cameco shares
- suspending all other shareholder rights.

To verify compliance with restrictions on ownership and voting of Cameco shares, we require existing shareholders, proposed transferees or other subscribers for voting shares to declare their residency, ownership of Cameco shares and other things relating to the restrictions. Nominees such as banks, trust companies, securities brokers or other financial institutions who hold the shares on behalf of beneficial shareholders need to make the declaration on their behalf.

We cannot issue or register a transfer of any voting shares if it would result in a contravention of the resident or non-resident ownership restrictions.

If we believe there is a contravention of our ownership restrictions based on any shareholder declarations filed with us, or our books and records or those of our registrar and transfer agent or otherwise, we can suspend all shareholder rights for the securities they hold, other than the right to transfer them. We can only do this after giving the shareholder 30 days notice, unless he or she has disposed of the holdings and we have been advised of this.

Understanding the terms

Please see our articles for the exact definitions of *associate*, *resident*, *non-resident*, *control*, and *beneficial ownership* which are used for the restrictions described above.

Other restrictions

The ENL Reorganization Act imposes some additional restrictions on Cameco. We must maintain our registered office and our head office operations in Saskatchewan. We are also prohibited from:

- creating restricted shares (these are generally defined as a participating share with restrictive voting rights)
- applying for continuance in another jurisdiction
- enacting articles of incorporation or bylaws that have provisions that are inconsistent with the ENL Reorganization Act.

We must maintain our registered office and head office operations in Saskatchewan under *the Saskatchewan Mining Development Corporation Reorganization Act*. This generally includes all executive, corporate planning, senior management, administrative and general management functions.

Credit ratings

Credit ratings provide an independent, professional assessment of a corporation's credit risk. They are *not* a comment on the market price of a security or suitability for an individual investor and are, therefore, not recommendations to buy, hold or sell our securities.

We provide rating agencies DBRS Limited (DBRS) and Standard & Poor's (S&P) with confidential, in-depth information to support the credit rating process.

There is no assurance that a rating agency will keep the rating in effect for any given period of time, or that it will not revise or withdraw it in the future if it believes circumstances warrant it.

We have two series of senior unsecured debentures outstanding:

- $300 million of debentures that have an interest rate of 4.7% per year and mature September 16, 2015
- $500 million of debentures that have an interest rate of 5.67% per year and mature September 2, 2019.

Although we frequently issued commercial paper in the past, we did not have any outstanding commercial paper at February 10, 2011. The table below shows the DBRS and S&P ratings of our commercial paper and senior unsecured debentures:

	DBRS[1]	S&P[2]
Commercial paper	R-1 (low)	A-1 (low)[3]
Senior unsecured debentures	A (low)	BBB+

1 Current as of January 2011.

2 Current as of August 2010.

3 A-1 (low) is the Canadian National Scale Rating (the Global Scale Rating is A-2).

Commercial paper

Rating scales for commercial paper are meant to indicate the risk that a borrower will not fulfill its near-term debt obligations in a timely manner.

The table below explains the credit ratings of our commercial paper in more detail:

	Rating	Ranking
DBRS rates commercial paper by categories ranging from a high of *R-1* to a low of *D*	R-1 (low)	• lower end of the R-1 category • represents "satisfactory credit quality" • third highest of 10 available credit ratings
S&P rates commercial paper by categories ranging from a high of *A-1 (high)* to a low of *D*	A-1 (low)	• represents "satisfactory capacity to meet its financial commitments on the obligation" • the third highest of eight available credit ratings

Senior unsecured debentures

Long-term debt rating scales are meant to indicate the risk that a borrower will not fulfill its full obligations, with respect to interest and principal, in a timely manner.

The table below explains the credit ratings of our senior unsecured debentures in more detail:

	Rating	Ranking
DBRS rates senior unsecured debentures by categories ranging from a high of *AAA* to a low of *D*	A (low)	• lower end of the A category • represents "satisfactory credit quality" • third highest of 10 available credit ratings
S&P rates senior unsecured debentures by categories ranging from a high of *AAA* to a low of *D*	BBB+	• higher end of the BBB category • represents "adequate protection parameters" • the fourth highest of 10 available credit ratings

Material contracts

We are required by law to describe our material contracts in this AIF (not including material contracts that we entered into as part of the ordinary course of business) that we:

- entered into in 2010 — there were none
- entered into before 2010 and remain in effect — there are two, which are described below.

Supplemental indentures

- We entered into the *Third supplemental indenture* with CIBC Mellon Trust Company (CIBC Mellon) on September 16, 2005, relating to the issue of $300 million in unsecured debentures at an interest rate of 4.7% per year and due in 2015.
- We entered into the *Fourth supplemental indenture* with CIBC Mellon on September 2, 2009, relating to the issue of $500 million in unsecured debentures at an interest rate of 5.67% and due in 2019.

See *Senior unsecured debentures*, above for more information about these debentures.

By law there are certain other contracts that must be described in an AIF, but we have not entered into any of these kinds of contracts.

Market for our securities

Our common shares are listed and traded on the Toronto Stock Exchange (under the symbol CCO) and the New York Stock Exchange (under the symbol CCJ).

We have a registrar and transfer agent in Canada and the US for our common shares:

Canada	CIBC Mellon Trust Company 320 Bay Street, P.O. Box 1 Toronto, Ontario M5H 4A6
US	Mellon Investor Services LLC 29 Jersey City New Jersey 07310

Trading activity

The table below shows the high and low closing prices and trading volume for our common shares on the TSX in 2010.

2010	High ($)	Low ($)	Volume
January	35.00	28.75	20,062,146
February	30.86	27.11	20,116,486
March	29.18	27.23	27,302,434
April	27.95	24.36	28,880,932
May	26.07	24.03	24,501,621
June	25.62	22.63	19,135,471
July	26.97	21.64	24,109,817
August	27.38	25.40	21,267,840
September	28.72	26.07	20,244,783
October	31.93	28.05	19,446,730
November	38.57	31.29	33,114,817
December	40.95	37.00	23,242,251

Dividend policy

The board established a policy of paying quarterly dividends when we launched our initial public offering in 1991. It reviews the dividend policy from time to time in light of our financial position and other factors they consider relevant.

The table below shows the dividends per common share for the last three fiscal years. Under the policy, in December 2010, the board approved an increase in the annual dividend from $0.28 to $0.40 per share starting in 2011. The board approved an increase in the annual dividend in December 2009 (starting in 2010), and in December 2007 (starting in 2008).

	2011	2010	2009
Cash dividends	$ 0.40	$ 0.28	$ 0.24

Governance

Directors

Director	Board committees	Principal occupation or employment
John H. Clappison Toronto, Ontario, Canada Director since 2006	Audit (Chair) Human resources and compensation	Corporate director as of 2006 1990 to December 2005 - managing partner of the Toronto office of PricewaterhouseCoopers LLP
Joe F. Colvin Kiawah Island, South Carolina, USA Director since 1999	Safety, health and environment (Chair) Nominating, corporate governance and risk	June 2010 to present - President of American Nuclear Society February 2005 to present - Corporate director and president emeritus of the Nuclear Energy Institute
James R. Curtiss Brookeville, Maryland, USA Director since 1994	Human resources and compensation (Chair) Nominating, corporate governance and risk	April 2008 to present - principal of Curtiss law 1993 to March 31, 2008 - lawyer, partner, Winston & Strawn
Donald H.F. Deranger Prince Albert, Saskatchewan, Canada Director since 2009	Reserves oversight Safety, health and environment	Athabasca Vice Chief of the Prince Albert Grand Council since 2003 President of Points Athabasca Contracting Ltd. since 2001
James K. Gowans Gaborone, Botswana Director since 2009	Reserves oversight Safety, health and environment Nominating, corporate governance and risk	January 2011 to present - Managing Director, Debswana Diamond Company March 2010 to December 2010 - COO and Chief Technical Officer of DeBeers SA April 2006 to December 2010 - CEO of DeBeers Canada Inc. 2002 to 2006 - Senior vice-president and COO of PT Inco in Indonesia
Gerald W. Grandey Saskatoon, Saskatchewan, Canada Director since 2000	None	Chief Executive Officer since January 2003 January 2003 to May 2010 - President and Chief Executive Officer
Nancy E. Hopkins, Q.C. Saskatoon, Saskatchewan, Canada Director since 1992	Audit Nominating, corporate governance and risk (Chair)	1984 to present - Lawyer, partner, McDougall Gauley LLP (Gauley & Company merged with McDougall Ready to form McDougall Gauley as of January 2001)
Oyvind Hushovd Kristiansand S, Norway Director since 2003	Reserves oversight Audit Human resources and compensation	June 2005 to present - Corporate director May 2003 to May 31, 2005 - Chairman and Chief Executive Officer of Gabriel Resources Ltd.
J.W. George Ivany Kelowna, British Columbia, Canada Director since 1999	Audit Safety, health and environment Human resources and compensation	1995 to present - Corporate director
A. Anne McLellan Edmonton, Alberta, Canada Director since 2006	Safety, health and environment Human resources and compensation Nominating, corporate governance and risk	July 2006 to present - Distinguished Scholar in Residence at Alberta Institute for American Studies, University of Alberta June 2006 to present - Lawyer, counsel at Bennett Jones LLP 1993 to 2006 - cabinet minister in various portfolios with the Canadian government, most recently as Deputy Prime Minister of Canada from 2003 to 2006

Director	Board committees	Principal occupation or employment
A. Neil McMillan Saskatoon, Saskatchewan, Canada Director since 2002	Reserves oversight (Chair) Audit	March 2004 to present - President and Chief Executive Officer, Claude Resources Inc.
Victor J. Zaleschuk Calgary, Alberta, Canada Director since 2001	Reserves oversight	November 2001 to present - Corporate director

All of the directors are elected for a term of one year, and hold office until the next annual meeting unless he or she steps down as required by corporate law.

Officers

Officer	Principal occupation or employment for past five years
Victor J. Zaleschuk Chair of the Board Calgary, Alberta, Canada	November 2001 to present - Corporate director
Gerald W. Grandey Chief Executive Officer Saskatoon, Saskatchewan, Canada	Assumed current position January 2003 January 2003 to May 2010 - President and Chief Executive Officer
Timothy S. Gitzel President Saskatoon, Saskatchewan, Canada	Assumed current position May 2010 January 2007 to May 2010 - Senior Vice-President and Chief Operating Officer June 2004 to January 2007 - Executive Vice-President, mining business unit, Areva
Gary M.S. Chad, Q.C. Senior Vice-President, Governance, Law and Corporate Secretary Saskatoon, Saskatchewan, Canada	Assumed current position January 2000
O. Kim Goheen Senior Vice-President and Chief Financial Officer Saskatoon, Saskatchewan, Canada	Assumed current position August 2004
Grant E. Isaac Senior Vice-President, Corporate Services Saskatoon, Saskatchewan, Canada	Assumed current position July 2009 2006 to 2009 - Dean of Edwards School of Business (formerly College of Commerce), University of Saskatchewan
Kenneth A. Seitz Senior Vice-President, Marketing and Business Development Saskatoon, Saskatchewan, Canada	Assumed current position January 2011 2009 to December 2010, Vice-President, Marketing Strategy and Administration 2006 to 2009, Vice-President, Corporate Development and Power Generation
Robert A. Steane Senior Vice-President and Chief Operating Officer Saskatoon, Saskatchewan, Canada	Assumed current position May 2010 2007 to May 2010 Vice-President, Major Projects 1999 to 2007 Vice-President, Fuel Services

To our knowledge, the total number of common shares beneficially owned, directly or indirectly, or that all the directors and officers as a group exercised direction or control over, was 845,451 as at February 10, 2011. This represents less than 1% of our outstanding common shares.

To the best of our knowledge, none of the directors, executive officers or shareholders exercising control or direction over 10% of any class of our outstanding securities, nor their associates or affiliates, have any material interests in material transactions which have affected, or will materially affect, the company.

Other information about our directors and officers

None of our directors or officers, or a shareholder with significant holdings that could materially affect control of us, was a director or executive officer of another company in the past 10 years that:

- was the subject of a cease trade or similar order, or an order denying that company any statutory exemptions for more than 30 consecutive days
- was involved in an event that resulted in the company being subject to one of the above after the director or executive officer no longer held that role with the company
- within a year of no longer acting in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

None of them have been directors, officers or promoters of other companies in the past 10 years which:

- were bankrupt
- made a proposal under any legislation relating to bankruptcy or insolvency,
- has been subject to or launched any proceedings, arrangement or compromise with any creditors, or
- had a receiver, receiver manager or trustee appointed to hold the assets of that company.

None of them has ever been subject to:

- penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

About the audit committee

Audit committee charter

See appendix A for a copy of the audit committee charter. You can also find a copy on our website (cameco.com/responsibility/governance/board_committees).

Composition of the audit committee

The committee is made up of five members: John Clappison (chair), Nancy Hopkins, Oyvind Hushovd, George Ivany and Neil McMillan. Each member is independent and financially literate using criteria that meet the standards of the Canadian Securities Administrators as set out in Multilateral Instrument 52-110.

Relevant education and experience

John Clappison, a corporate director, is the former managing partner of the Toronto office of PricewaterhouseCoopers LLP. He currently serves on three other publicly traded companies, and the boards of other private and not-for-profit organizations. Mr. Clappison is a chartered accountant and a Fellow of the Institute of Chartered Accountants of Ontario.

Nancy Hopkins is a partner with the law firm of McDougall Gauley, LLP in Saskatoon where she concentrates her practice on corporate, commercial and tax law. She currently serves on two other publicly traded companies, the board of governors of the University of Saskatchewan, the board of the Saskatoon Airport Authority and the CPP Investment Board. She formerly served on the board of the Canadian Institute of Chartered Accountants. Ms. Hopkins has a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Saskatchewan.

Oyvind Hushovd, a corporate director, is the former Chair and Chief Executive Officer of Gabriel Resources Ltd., a Canadian-based precious metals exploration and development company, retiring in 2005. Prior to that he was the President and Chief Executive Officer of Falconbridge Limited from 1996 to 2002. He currently serves on the boards of two other publicly traded companies and three private companies. Mr. Hushovd received a Master of Economics and Business Administration degree from the Norwegian School of Business and a Master of Law degree from the University of Oslo.

George Ivany, a corporate director, is the former President and Vice-Chancellor of the University of Saskatchewan. Dr. Ivany received a Bachelor of Science degree in Chemistry and Physics and a diploma in education from

Memorial University of Newfoundland. He received a Master of Arts degree in Physics Education from the Teachers College, Columbia University and a Ph.D. in Secondary Education from the University of Alberta.

Neil McMillan is the President and Chief Executive Officer of Claude Resources Inc., a gold mining and oil and gas producing company based in Saskatoon, Saskatchewan. Prior to joining Claude Resources Inc., Mr. McMillan worked for RBC Dominion Securities as a registered representative and the Saskatoon branch manager. He currently serves on the boards of two other publicly traded companies (including Claude Resources Inc.) and previously sat on the board of Atomic Energy Canada Ltd. Mr. McMillan received a Bachelor of Arts degree in History and Sociology from the University of Saskatchewan.

Auditors' fees

The table below shows the fees we paid to the external auditors for services in 2010 and 2009:

	2010 ($)	% of total fees (%)	2009 ($)	% of total fees (%)
Audit fees				
Cameco	1,697,700	62.6	1,739,900	48.7
Centerra and other subsidiaries	256,200	9.5	978,600[1]	27.4
Total audit fees	1,953,900	72.1	2,718,500	76.1
Audit-related fees				
Cameco	273,400	10.1	219,800	6.1
Centerra and other subsidiaries	—	0.0	32,300[1]	0.9
Translation services	44,500	1.6	424,000	11.9
Pensions	20,000	0.7	17,000	0.5
Total audit-related fees	337,900	12.5	693,100	19.4
Tax fees				
Compliance	199,200	7.3	40,000	1.1
Planning and advice	219,500	8.1	122,400	3.4
Total tax fees	418,700	15.4	162,400	4.5
All other fees	—	0.0	—	0.0
Total fees	**2,710,500**	**100.0**	**3,574,000**	**100.0**

1 The 2009 fees include amounts related to Centerra. We disposed of our entire interest in Centerra in December 2009.

Approving services

The audit committee must pre-approve all services the external auditors will provide to make sure they remain independent. This is according to our audit committee charter and consistent with our corporate governance practices. The audit committee can only pre-approve services up to a specific limit. If we expect the fees to exceed the limit, or the external auditors to provide new audit or non-audit services that have not been pre-approved in the past, then this must be pre-approved separately.

Any service that is not generally pre-approved must be approved by the audit committee before the work is carried out, or by the committee chair, or board chair in his or her absence, as long as the proposed service is presented to the full audit committee at its next meeting.

The committee has adopted a written policy that describes the procedures for implementing these principles.

Interest of experts

Our auditor is KPMG LLP, independent chartered accountants, who have audited our 2010 financial statements.

KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

The individuals who are qualified persons for the purposes of NI 43-101 are listed under *Mineral reserves and resources* starting on page 67. As a group, they beneficially own, directly or indirectly, less than 1% of any class of our outstanding securities.

Appendix A

Audit committee of the board of directors

Mandate

Purpose

The primary purpose of the audit committee (committee) is to assist the board of directors (board) in fulfilling its oversight responsibilities for (a) the accounting and financial reporting processes, (b) the internal controls, (c) the external auditors, including performance, qualifications, independence, and their audit of the corporation's financial statements, (d) the performance of the corporation's internal audit function, (e) risk management of financial risks as delegated by the board, (f) the corporation's process for monitoring compliance with laws and regulations (other than environmental and safety laws) and its code of conduct and ethics, and (g) prevention and detection of fraudulent activities. The committee shall also prepare such reports as required to be prepared by it by applicable securities laws.

In addition, the committee provides an avenue for communication between each of the internal auditor, the external auditors, management, and the board. The committee shall have a clear understanding with the external auditors that they must maintain an open and transparent relationship with the committee and that the ultimate accountability of the external auditors is to the board and the committee, as representatives of the shareholders. The committee, in its capacity as a committee of the board, subject to the requirements of applicable law, is directly responsible for the appointment, compensation, retention, and oversight of the external auditors.

The committee has the authority to communicate directly with the external auditors and internal auditor.

The committee shall make regular reports to the board concerning its activities and in particular shall review with the board any issues that arise with respect to the quality or integrity of the corporation's financial statements, the performance and independence of the external auditors, the performance of the corporation's internal audit function, or the corporation's process for monitoring compliance with laws and regulations other than environmental and safety laws.

Composition

The board shall appoint annually, from among its members, a committee and its chair. The committee shall consist of at least three members and shall not include any director employed by the corporation.

Each committee member will be independent pursuant to the standards for independence adopted by the board.

Each committee member shall be financially literate with at least one member having accounting or related financial expertise, using the terms defined as follows:

"Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the corporation's financial statements; and

"Accounting or related financial expertise" means the ability to analyse and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

In addition, where possible, at least one member of the committee shall qualify as an "audit committee financial expert" within the meaning of applicable securities law.

Members of the committee may not serve on the audit committees of more than two additional public companies without the approval of the board.

Meetings

The committee will meet at least four times annually and as many additional times as the committee deems necessary to carry out its duties effectively. The committee will meet separately in private with the external auditors, the internal auditor and management at each regularly scheduled meeting.

A majority of the members of the committee shall constitute a quorum. No business may be transacted by the committee except at a meeting of its members at which a quorum of the committee is present.

The committee may invite such officers, directors and employees of the corporation as it may see fit from time to time to attend at meetings of the committee and assist thereat in the discussion and consideration of any matter.

A meeting of the committee may be convened by the chair of the committee, a member of the committee, the external auditors, the internal auditor, the chief executive officer or the chief financial officer. The secretary, who shall be appointed by the committee, shall, upon direction of any of the foregoing, arrange a meeting of the committee. The committee shall report to the board in a timely manner with respect to each of its meetings.

Duties and responsibilities

To carry out its oversight responsibilities, the committee shall:

Financial reporting process

1. Review with management and the external auditors any items of concern, any proposed changes in the selection or application of major accounting policies and the reasons for the change, any identified risks and uncertainties, and any issues requiring management judgement, to the extent that the foregoing may be material to financial reporting.
2. Consider any matter required to be communicated to the committee by the external auditors under applicable generally accepted auditing standards, applicable law and listing standards, including the external auditors' report to the committee (and management's response thereto) on: (a) all critical accounting policies and practices used by the corporation; (b) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the external auditors; and (c) any other material written communications between the external auditors and management.
3. Require the external auditors to present and discuss with the committee their views about the quality, not just the acceptability, of the implementation of generally accepted accounting principles with particular focus on accounting estimates and judgements made by management and their selection of accounting principles.
4. Discuss with management and the external auditors (a) any accounting adjustments that were noted or proposed (i.e. immaterial or otherwise) by the external auditors but were not reflected in the financial statements, (b) any material correcting adjustments that were identified by the external auditors in accordance with generally accepted accounting principles or applicable law, (c) any communication reflecting a difference of opinion between the audit team and the external auditors' national office on material auditing or accounting issues raised by the engagement, and (d) any "management" or "internal control" letter issued, or proposed to be issued, by the external auditors to the corporation.
5. Discuss with management and the external auditors any significant financial reporting issues considered during the fiscal period and the method of resolution. Resolve disagreements between management and the external auditors regarding financial reporting.
6. Review with management and the external auditors (a) any off-balance sheet financing mechanisms being used by the corporation and their effect on the corporation's financial statements and (b) the effect of regulatory and accounting initiatives on the corporation's financial statements, including the potential impact of proposed initiatives.
7. Review with management and the external auditors and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the corporation, and the manner in which these matters have been disclosed or reflected in the financial statements.
8. Review with the external auditors any audit problems or difficulties experienced by the external auditors in performing the audit, including any restrictions or limitations imposed by management, and management's response. Resolve any disagreements between management and the external auditors regarding these matters.

9. Review the results of the external auditors' audit work including findings and recommendations, management's response, and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.
10. Review and discuss with management and the external auditors the audited annual financial statements and related management discussion and analysis, make recommendations to the board with respect to approval thereof, before being released to the public, and obtain an explanation from management of all significant variances between comparable reporting periods. Obtain confirmation from management and the external auditors that the reconciliation of the audited financial statements to U.S. GAAP complies with the requirements of U.S. securities laws.
11. Review and discuss with management and the external auditors all interim unaudited financial statements and quarterly reports and related interim management discussion and analysis and make recommendations to the board with respect to the approval thereof, before being released to the public.
12. Obtain confirmation from the chief executive officer and the chief financial officer (and considering the external auditors' comments, if any, thereon) to their knowledge:
    (a) that the audited financial statements, together with any financial information included in the annual MD&A and annual information form, fairly represent in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings; and
    (b) that the interim financial statements, together with any financial information included in the interim MD&A, fairly represent in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings.
13. Review earnings press releases, before being released to the public. Discuss the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro-forma" or "adjusted" Non-GAAP, information).
14. Review any news release, before being released to the public, containing earnings guidance or financial information based upon the corporation's financial statements prior to the release of such statements.
15. Review the appointment of the chief financial officer and have the chief financial officer report to the committee on the qualifications of new key financial executives involved in the financial reporting process.
16. Consult with the human resources and compensation committee on the succession plan for the chief financial officer and controller. Review the succession plans in respect of the chief financial officer and controller.

Internal Controls

1. Receive from management a statement of the corporation's system of internal controls over accounting and financial reporting.
2. Consider and review with management, the internal auditor and the external auditors, the adequacy and effectiveness of internal controls over accounting and financial reporting within the corporation and any proposed significant changes in them.
3. Consider and discuss the scope of the internal auditors and external auditors review of the corporation's internal controls, and obtain reports on significant findings and recommendations, together with management responses.
4. Discuss, as appropriate, with management, the external auditors and the internal auditor, any major issues as to the adequacy of the corporation's internal controls and any special audit steps in light of material internal control deficiencies.
5. Review annually the disclosure controls and procedures, including (a) the certification timetable and related process and (b) the procedures that are in place for the review of the corporation's disclosure of financial information extracted from the corporation's financial statements and the adequacy of such procedures. Receive confirmation from the chief executive officer and the chief financial officer of the effectiveness of disclosure controls and procedures, and whether there are any significant deficiencies and material weaknesses in the

design or operation of internal control over financial reporting which are reasonably likely to adversely affect the corporation's ability to record, process, summarize and report financial information or any fraud, whether or not material, that involves management or other employees who have a significant role in the corporation's internal control over financial reporting. In addition, receive confirmation from the chief executive officer and the chief financial officer that they are prepared to sign the annual and quarterly certificates required by applicable securities law.

6. Review management's annual report and the external auditors' report on the assessment of the effectiveness of the corporation's internal control over financial reporting.
7. Receive a report, at least annually, from the reserves oversight committee of the board on the corporation's mineral reserves.

External Auditors

(i) External Auditors' Qualifications and Selection

1. Subject to the requirements of applicable law, be solely responsible to select, retain, compensate, oversee, evaluate and, where appropriate, replace the external auditors, who must be registered with agencies mandated by applicable law. The committee shall be entitled to adequate funding from the corporation for the purpose of compensating the external auditors for completing an audit and audit report.
2. Instruct the external auditors that:
   (a) they are ultimately accountable to the board and the committee, as representatives of shareholders; and
   (b) they must report directly to the committee.
3. Ensure that the external auditors have direct and open communication with the committee and that the external auditors meet regularly with the committee without the presence of management to discuss any matters that the committee or the external auditors believe should be discussed privately.
4. Evaluate the external auditors' qualifications, performance, and independence. As part of that evaluation:
   (a) at least annually, request and review a formal report by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the external auditors and the corporation, including the amount of fees received by the external auditors for the audit services and for various types of non-audit services for the periods prescribed by applicable law; and
   (b) annually review and confirm with management and the external auditors the independence of the external auditors, including the extent of non-audit services and fees, the extent to which the compensation of the audit partners of the external auditors is based upon selling non-audit services, the timing and process for implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the corporation, whether there should be a regular rotation of the audit firm itself, and whether there has been a "cooling off" period of one year for any former employees of the external auditors who are now employees with a financial oversight role, in order to assure compliance with applicable law on such matters; and
   (c) annually review and evaluate senior members of the external audit team, including their expertise and qualifications. In making this evaluation, the audit committee should consider the opinions of management and the internal auditor.

Conclusions on the independence of the external auditors should be reported to the board.

5. Review and approve the corporation's policies for the corporation's hiring of employees and former employees of the external auditors. Such policies shall include, at minimum, a one-year hiring "cooling off" period.

(ii) Other Matters

6. Meet with the external auditors to review and approve the annual audit plan of the corporation's financial statements prior to the annual audit being undertaken by the external auditors, including reviewing the year-to-year co-ordination of the audit plan and the planning, staffing and extent of the scope of the annual audit. This review should include an explanation from the external auditors of the factors considered by the external auditors in determining their audit scope, including major risk factors. The external auditors shall report to the committee all significant changes to the approved audit plan.
7. Review and approve the basis and amount of the external auditors' fees with respect to the annual audit in light of all relevant matters.
8. Review and pre-approve all audit and non-audit service engagement fees and terms in accordance with applicable law, including those provided to the subsidiaries of the corporation by the external auditors or any other person in its capacity as external auditors of such subsidiary. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to pre-approve any audit or non-audit service engagement fees and terms. At the next committee meeting, the chair shall report to the committee any such pre-approval given. Establish and adopt procedures for such matters.

Internal Auditor

1. Review and approve the appointment or removal of the internal auditor.
2. Review and discuss with the external auditors, management, and internal auditor the responsibilities, budget and staffing of the corporation's internal audit function.
3. Review and approve the mandate for the internal auditor and the scope of annual work planned by the internal auditor, receive summary reports of internal audit findings, management's response thereto, and reports on any subsequent follow-up to any identified weakness.
4. Ensure that the internal auditor has direct and open communication with the committee and that the internal auditor meets regularly with the committee without the presence of management to discuss any matters that the committee or the internal auditor believe should be discussed privately, such as problems or difficulties which were encountered in the course of internal audit work, including restrictions on the scope of activities or access to required information, and any disagreements with management.
5. Review and discuss with the internal auditor and management the internal auditor's ongoing assessments of the corporation's business processes and system of internal controls.
6. Review the effectiveness of the internal audit function, including staffing, organizational structure and qualifications of the internal auditor and staff.

Compliance

1. Monitor compliance by the corporation with all payments and remittances required to be made in accordance with applicable law, where the failure to make such payments could render the directors of the corporation personally liable.
2. The receipt of regular updates from management regarding compliance with laws and regulations and the process in place to monitor such compliance, excluding, however, legal compliance matters subject to the oversight of the safety, health and environment committee of the board. Review the findings of any examination by regulatory authorities and any external auditors' observations relating to such matters.
3. Establish and oversee the procedures in the code of conduct and ethics policy to address:
   (a) the receipt, retention and treatment of complaints received by the corporation regarding accounting, internal accounting or auditing matters; and
   (b) confidential, anonymous submissions by employees of concerns regarding questionable accounting and auditing matters.

Receive periodically a summary report from the senior vice-president governance, law and corporate secretary on such matters as required by the code of conduct and ethics.

4. Monitor management's implementation of the code of conduct and ethics and the international business conduct policy and review compliance therewith by, among other things, obtaining an annual report summarising statements of compliance by employees pursuant to such policies and reviewing the findings of any investigations of non-compliance. Periodically review the adequacy and appropriateness of such policies and make recommendations to the board thereon.
5. Monitor management's implementation of the anti-fraud policy; and review compliance therewith by, among other things, receiving reports from management on:
   (a) any investigations of fraudulent activity;
   (b) monitoring activities in relation to fraud risks and controls; and
   (c) assessments of fraud risk.

Periodically review the adequacy and appropriateness of the anti-fraud policy and make recommendations to the board thereon.

6. Review all proposed related party transactions and situations involving a director's, senior officer's or an affiliate's potential or actual conflict of interest that are not required to be dealt with by an "independent committee" pursuant to securities law rules, other than routine transactions and situations arising in the ordinary course of business, consistent with past practice. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to review all such transactions and situations. At the next committee meeting, the chair shall report the results of such review. Ensure that political and charitable donations conform with policies and budgets approved by the board.
7. Monitor management of hedging, debt and credit, make recommendations to the board respecting policies for management of such risks, and review the corporation's compliance therewith.
8. Approve the review and approval process for the expenses submitted for reimbursement by the chief executive officer.

Organizational matters

1. The procedures governing the committee shall, except as otherwise provided for herein, be those applicable to the board as set forth in Part 7 of the General Bylaws of the corporation.
2. The members and the chair of the committee shall be entitled to receive remuneration for acting in such capacity as the board may from time to time determine.
3. The committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to:
   (a) select, retain, terminate, set and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate; and
   (b) obtain appropriate funding to pay, or approve the payment of, such approved fees; without seeking approval of the board or management.
4. Any member of the committee may be removed or replaced at any time by the board and shall cease to be a member of the committee upon ceasing to be a director. The board may fill vacancies on the committee by appointment from among its members. If and whenever a vacancy shall exist on the committee, the remaining members may exercise all its powers so long as a quorum remains in office. Subject to the foregoing, each member of the committee shall remain as such until the next annual meeting of shareholders after that member's election.

5. The committee shall annually review and assess the adequacy of its mandate and recommend any proposed changes to the nominating, corporate governance and risk committee for recommendation to the board for approval.
6. The committee shall participate in an annual performance evaluation, the results of which will be reviewed by the board.
7. The committee shall perform any other activities consistent with this mandate, the corporation's governing laws and the regulations of stock exchanges, as the committee or the board deems necessary or appropriate.

EXHIBIT 99.2

Cameco Corporation

2010 Consolidated Audited Financial Statements

February 11, 2011

REPORT OF MANAGEMENT'S ACCOUNTABILITY

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in the annual financial review and reflect the corporation's business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis including responsibility for the existence of appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The internal control system includes an internal audit function and a code of conduct and ethics, which is communicated to all levels in the organization and requires all employees to maintain high standards in their conduct of the corporation's affairs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the company's assets are appropriately accounted for and adequately safeguarded. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the criteria established in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's system of internal control over financial reporting was effective as at December 31, 2010.

KPMG LLP has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States).

The board of directors annually appoints an audit committee comprised of directors who are not employees of the corporation. This committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the financial statements, the report of the shareholders' auditors, and management's discussion and analysis and submits its report to the board of directors for formal approval.

Original signed by Gerald W. Grandey

Chief Executive Officer

February 11, 2011

Original signed by O. Kim Goheen

Senior Vice-President and Chief Financial Officer

February 11, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cameco Corporation

We have audited the accompanying consolidated financial statements of Cameco Corporation ("the Corporation"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of earnings, shareholders' equity, comprehensive income, accumulated other comprehensive income and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cameco Corporation as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by KPMG LLP

Chartered Accountants
Saskatoon, Canada
February 11, 2011

Consolidated Balance Sheets

As at December 31 ($Cdn thousands)	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 376,621	$1,101,229
Short-term investments [note 5]	883,032	202,836
Accounts receivable	447,404	446,722
Income taxes receivable	42,190	—
Inventories [note 6]	542,526	453,224
Supplies and prepaid expenses	190,079	169,005
Current portion of long-term receivables, investments and other [note 9]	91,447	154,725
	2,573,299	2,527,741
Property, plant and equipment [note 7]	4,337,809	4,068,103
Intangible assets [note 8]	94,270	97,713
Long-term receivables, investments and other [note 9]	628,824	667,287
Future income tax assets [note 18]	37,166	33,017
Total assets	**$7,671,368**	**$7,393,861**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 399,035	$ 503,521
Income taxes payable	35,042	31,143
Short-term debt [notes 10]	72,948	76,762
Dividends payable	27,605	23,570
Current portion of long-term debt [note 11]	13,177	11,629
Current portion of other liabilities [note 13]	28,228	29,297
Future income taxes [note 18]	28,674	87,135
	604,709	763,057
Long-term debt [note 11]	940,317	952,853
Provision for reclamation [note 12]	279,653	258,277
Other liabilities [note 13]	244,179	244,433
Future income taxes [note 18]	208,044	167,373
	2,276,902	2,385,993
Minority interest	178,139	164,040
Shareholders' equity		
Share capital [note 14]	1,535,857	1,512,461
Contributed surplus	142,376	131,577
Retained earnings	3,563,089	3,158,506
Accumulated other comprehensive income	(24,995)	41,284
	5,216,327	4,843,828
Total liabilities and shareholders' equity	**$7,671,368**	**$7,393,861**

Commitments and contingencies [notes 12,18,25]
Subsequent event [note 29]

See accompanying notes to consolidated financial statements.

Approved by the board of directors
Original signed by Gerald W. Grandey and John H. Clappison

Consolidated Statements of Earnings

For the years ended December 31 ($Cdn thousands, except per share amounts)	**2010**	**2009**
Revenue from		
Products and services	$2,123,655	$2,314,985
Expenses		
Products and services sold	1,127,879	1,324,278
Depreciation, depletion and reclamation	251,547	240,643
Administration	155,810	135,558
Exploration	95,796	49,061
Research and development	4,794	630
Interest and other [note 15]	3,474	(12,470)
Gains on derivatives [note 26]	(75,183)	(243,804)
Cigar Lake remediation	16,633	17,884
Loss (gain) on sale of assets [note 16]	107	(566)
	1,580,857	1,511,214
Earnings from continuing operations	542,798	803,771
Other expense [note 17]	(11,150)	(36,912)
Earnings before income taxes and minority interest	531,648	766,859
Income tax expense [note 18]	27,251	52,897
Minority interest	(10,352)	(3,035)
Earnings from continuing operations	**$ 514,749**	**$ 716,997**
Earnings from discontinued operations [note 24]	—	382,425
Net earnings	**$ 514,749**	**$1,099,422**
Net earnings per share [note 27]		
Basic		
Continuing operations	**$ 1.31**	**$ 1.84**
Discontinued operations	**—**	**0.99**
Total basic earnings per share	**$ 1.31**	**$ 2.83**
Diluted		
Continuing operations	**$ 1.30**	**$ 1.84**
Discontinued operations	**—**	**0.98**
Total diluted earnings per share	**$ 1.30**	**$ 2.82**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

For the years ended December 31 ($Cdn thousands)	2010	2009
Share capital		
Balance at beginning of year	$1,512,461	$1,062,714
Stock option plan	23,396	4,215
Equity issuance [note 14]	—	445,532
Balance at end of year	**1,535,857**	**1,512,461**
Contributed surplus		
Balance at beginning of year	131,577	131,858
Stock-based compensation	16,086	641
Options exercised	(5,287)	(922)
Balance at end of year	**142,376**	**131,577**
Retained earnings		
Balance at beginning of year	3,158,506	2,153,315
Net earnings	514,749	1,099,422
Dividends on common shares	(110,166)	(94,231)
Balance at end of year	**3,563,089**	**3,158,506**
Accumulated other comprehensive income (loss)		
Balance at beginning of year	41,284	165,736
Other comprehensive loss	(66,279)	(124,452)
Balance at end of year	**(24,995)**	**41,284**
Total retained earnings and accumulated other comprehensive income (loss)	**3,538,094**	**3,199,790**
Shareholders' equity at end of year	**$5,216,327**	**$4,843,828**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 ($Cdn thousands)	2010	2009
Net earnings	$514,749	$1,099,422
Other comprehensive income (loss), net of taxes [note 18]		
Unrealized foreign currency translation losses	(6,696)	(115,739)
Gains on derivatives designated as cash flow hedges	12,035	101,162
Gains on derivatives designated as cash flow hedges transferred to net earnings	(71,186)	(113,360)
Unrealized gains on available-for-sale securities	2,125	3,011
(Gains) losses on available-for-sale securities transferred to net earnings	(2,557)	474
Other comprehensive loss	**(66,279)**	**(124,452)**
Total comprehensive income	**$448,470**	**$ 974,970**

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

($Cdn thousands)(net of related income taxes)[note 18]	Currency Translation Adjustment	Cash Flow Hedges	Available-For-Sale Assets	Total
Balance at December 31, 2008	$ 65,342	$ 101,654	$ (1,260)	$ 165,736
Unrealized foreign currency translation losses	(115,739)	—	—	(115,739)
Gains on derivatives designated as cash flow hedges	—	101,162	—	101,162
Gains on derivatives designated as cash flow hedges transferred to net earnings	—	(113,360)	—	(113,360)
Unrealized gains on available-for-sale securities	—	—	3,011	3,011
Losses on available-for-sale securities transferred to net earnings	—	—	474	474
Balance at December 31, 2009	**$ (50,397)**	**$ 89,456**	**$ 2,225**	**$ 41,284**
Unrealized foreign currency translation losses	(6,696)	—	—	(6,696)
Gains on derivatives designated as cash flow hedges	—	12,035	—	12,035
Gains on derivatives designated as cash flow hedges transferred to net earnings	—	(71,186)	—	(71,186)
Unrealized gains on available-for-sale securities	—	—	2,125	2,125
Gains on available-for-sale securities transferred to net earnings	—	—	(2,557)	(2,557)
Balance at December 31, 2010	**$ (57,093)**	**$ 30,305**	**$ 1,793**	**$ (24,995)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 ($Cdn thousands)	2010	2009
Operating activities		
Net earnings	$ 514,749	$1,099,422
Items not requiring (providing) cash:		
Depreciation, depletion and reclamation	251,547	240,643
Provision for future taxes [note 18]	612	2,237
Deferred gains	(33,369)	(41,254)
Unrealized (gains) losses on derivatives	25,561	(180,260)
Stock-based compensation [note 22]	16,086	2,772
Loss (gain) on sale of assets [note 16]	107	(566)
Equity in loss from associated companies [note 17]	16,413	29,811
Other expense (income) [note 17]	(5,263)	7,101
Discontinued operations [note 24]	—	(382,425)
Minority interest	(10,352)	(3,035)
Other operating items [note 19]	(268,993)	(84,333)
Cash provided by operations	**507,098**	**690,113**
Investing activities		
Additions to property, plant and equipment	(470,277)	(392,719)
Purchase of short-term investments [note 5]	(680,346)	(202,850)
Decrease (increase) in long-term receivables, investments and other	9,453	(40,258)
Proceeds on sale of property, plant and equipment	1,437	3,647
Cash used in investing (continuing operations)	(1,139,733)	(632,180)
Cash provided by investing (discontinued operations) [note 24]	—	871,300
Cash provided by (used in) investing	**(1,139,733)**	**239,120**
Financing activities		
Decrease in debt	(11,629)	(726,460)
Increase in debt	1,896	—
Issue of debentures, net of issue costs [note 11]	—	495,272
Issue of shares, net of issue costs [note 14]	—	440,150
Contributions from minority interests	9,811	—
Issue of shares, stock option plan	18,109	1,292
Dividends	(106,132)	(92,603)
Cash provided by (used in) financing	**(87,945)**	**117,651**
Increase (decrease) in cash during the year	(720,580)	1,046,884
Exchange rate changes on foreign currency cash balances	(4,028)	(9,877)
Cash and cash equivalents at beginning of year	1,101,229	64,222
Cash and cash equivalents at end of year	**$ 376,621**	**$1,101,229**
Cash and cash equivalents comprised of:		
Cash	$ 100,752	$ 56,009
Cash equivalents	275,869	1,045,220
	$ 376,621	$1,101,229
Supplemental cash flow disclosure		
Interest paid	$ 53,859	$ 35,267
Income taxes paid	$ 63,226	$ 57,093

See accompanying notes to consolidated financial statements.

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. Cameco Corporation and its subsidiaries (collectively, Cameco or the company) are primarily engaged in the exploration for and the development, mining, refining, conversion and fabrication of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries. The company has a 31.6% interest in Bruce Power L.P. (BPLP), which operates the four Bruce B nuclear reactors in Ontario.

2. Significant Accounting Policies

(a) Consolidation Principles

The consolidated financial statements include the accounts of Cameco and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method. Under this method, Cameco includes in its accounts its proportionate share of assets, liabilities, revenues and expenses.

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. The most significant estimates are related to the lives and recoverability of mineral properties, provisions for decommissioning and reclamation of assets, future income taxes, financial instruments and mineral reserves. Actual results could differ from these estimates. This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with financial institutions and investments in money market instruments, which have a term to maturity of three months or less at time of purchase.

(c) Short-Term Investments

Short-term investments consist of short-term money market instruments with terms to maturity at the date of acquisition of between three and 12 months. The short-term investments are classified as available-for-sale and are carried at fair value in the consolidated balance sheets with unrealized gains and losses reported in other comprehensive income (OCI). Realized gains and losses, as well as other-than-temporary declines in value, are recorded in the consolidated statements of earnings.

(d) Inventories

Inventories of broken ore, uranium concentrates and refined and converted products are valued at the lower of average cost and net realizable value. Average cost includes direct materials, direct labour, operational overhead expenses and depreciation, depletion and reclamation. Net realizable value for finished products is considered to be the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Supplies

Consumable supplies and spares are valued at the lower of cost or replacement value.

(f) Investments

Investments in associated companies over which Cameco has the ability to exercise significant influence are accounted for by the equity method. Under this method, Cameco includes in earnings its share of earnings or losses of the associated company. Portfolio investments are classified as available-for-sale and are carried at fair value in the consolidated balance sheets with unrealized gains and losses reported in OCI. Realized gains and losses, as well as other-than-temporary declines in value, are recorded in the consolidated statements of earnings.

(g) Property, Plant and Equipment

Assets are carried at cost. Costs of additions and improvements are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings. Maintenance and repair expenditures are charged to cost of production.

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project area are deferred and carried at cost with the intention that these costs will be depleted over the proven and probable reserves using the units-of-production method. No depreciation or depletion is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining lives of the related assets.

The carrying values of non-producing properties are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

Cameco reviews the carrying values of its property, plant and equipment when changes in circumstances indicate that those carrying values may not be recoverable. Estimated future net cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. An impairment loss is recognized when the carrying value of an asset held for use exceeds the sum of undiscounted future net cash flows. An impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Interest is capitalized on expenditures related to development projects actively being prepared for their intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases.

Fuel services assets, mine buildings, equipment and mineral properties are depreciated or depleted according to the units-of-production method. This method allocates the costs of these assets to each accounting period. For fuel services, the amount of depreciation is measured by the portion of the facilities' total estimated lifetime production that is produced in that period. For mining, the amount of depreciation or depletion is measured by the portion of the mines' proven and probable reserves which are recovered during the period.

Nuclear generating plants are depreciated according to the straight-line method based on the lower of useful life and remaining lease term.

Other assets are depreciated according to the straight-line method based on estimated useful lives, which generally range from three to 10 years.

(h) Intangible Assets

Intangible assets acquired in a business combination are recorded at their fair values. Finite-lived intangible assets are amortized over the estimated production profile of the business unit to which they relate. The carrying values of intangible assets are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amount is charged to earnings in the current period.

(i) Future Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period, which includes the enactment date. Future income tax assets are recorded in the financial statements and a valuation allowance is provided, if necessary, to reduce the future income tax asset to an amount that is more likely than not to be realized. Accrued interest and penalties for uncertain tax positions are recognized in the period in which uncertainties are identified.

(j) Research and Development and Exploration Costs

Expenditures for research and technology related to the products and processes are charged against earnings as incurred. Exploration expenditures including drilling and related costs are charged against earnings as incurred up until the point at which it is determined that the costs are economically recoverable. Any further exploration expenditures are capitalized once economic recoverability has been established.

(k) Environmental Protection and Asset Retirement Obligations

The fair value of the liability for an asset retirement obligation is recognized in the period incurred. The fair value, discounted using the company's credit adjusted risk-free rate, is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time, using the company's credit adjusted risk-free rate, through periodic charges to earnings, and it is reduced by actual costs of decommissioning and reclamation. Cameco's estimates of reclamation costs could change as a result of changes in regulatory requirements, reclamation plans, cost estimates and timing of estimated expenditures. Costs related to ongoing environmental programs are charged against earnings as incurred.

(l) Employee Future Benefits

Cameco accrues its obligations under employee benefit plans. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are measured at fair value. Cameco measures the plan assets and the accrued benefit obligations on December 31 each year.

On both the Cameco-specific and BPLP-specific defined benefit pension plans, past service costs arising from plan amendments are amortized on a straight-line basis over the expected average remaining service life of the plan participants. Net actuarial gains, which exceed 10% of the greater of the accrued benefit obligation and the fair value of plan assets, are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

On the Cameco-specific retirement benefit plans that do not vest or accumulate, past service costs arising from plan amendments, and net actuarial gains and losses, are recognized in the period they arise. Conversely, the BPLP-specific amounts are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

(m) Stock-Based Compensation

Cameco has five stock-based compensation plans that are described in note 22. These encompass a stock option plan, an employee share ownership plan, a performance share unit plan, a deferred share unit plan and a phantom stock option plan. In calculating compensation expense, Cameco includes an estimate for forfeitures that is based on historic trends.

Options granted under the stock option and performance share unit plans for which the holder cannot elect cash settlement are accounted for using the fair value method. Under this method, the compensation cost of options granted is measured at estimated fair value at the grant date and recognized over the shorter of the period to eligible retirement or the vesting period. Options that may be settled in cash are accounted for as liabilities and are carried at their intrinsic value. The intrinsic value of the liability is marked-to-market each period and is amortized to expense over the shorter of the period to eligible retirement or the vesting period.

Deferred share units and phantom stock options are amortized over the shorter of the period to eligible retirement or the vesting period and re-measured at each reporting period, until settlement, using the quoted market value. Cameco's contributions under the employee share ownership plan are expensed during the year of contribution. Shares purchased with company contributions and with dividends paid on such shares become unrestricted on January 1 of the second plan year following the date on which such shares were purchased.

(n) Revenue Recognition

Cameco supplies uranium concentrates and uranium conversion services to utility customers.

Cameco recognizes revenue on the sale of its nuclear products when evidenced by a contract that indicates the product, pricing and delivery terms, when delivery occurs, the related revenue is fixed or determinable and collection is reasonably assured.

Cameco has three types of sales arrangements with its customers in its uranium and fuel services businesses. These arrangements include uranium supply, toll conversion services and conversion supply (converted uranium), which is a combination of uranium supply and toll conversion services.

Uranium Supply

In a uranium supply arrangement, Cameco is contractually obligated to provide uranium concentrates to its customers. Cameco-owned uranium is physically delivered to conversion facilities (Converters) where the Converter will credit Cameco's account for the volume of accepted uranium. Based on delivery terms in a sales contract with its customer, Cameco instructs the Converter to transfer title of a contractually specified quantity of uranium to the customer's account at the Converter's facility. At this point, Cameco invoices the customer and recognizes revenue for the uranium supply.

Toll Conversion Services

In a toll conversion arrangement, Cameco is contractually obligated to convert customer-owned uranium to a chemical state suitable for enrichment. The customer delivers uranium to Cameco's conversion facilities. Once conversion is complete, Cameco physically delivers converted uranium to enrichment facilities (Enrichers) where the Enricher will credit Cameco's account for the volume of accepted processed uranium. Based on delivery terms in a sales contract with its customer, Cameco instructs the Enricher to transfer title of a contractually specified quantity of converted uranium to the customer's account at the Enricher's facility. At this point, Cameco invoices the customer and recognizes revenue for the toll conversion services.

Conversion Supply

In a conversion supply arrangement, Cameco is contractually obligated to provide uranium concentrates and conversion services to its customers. Cameco-owned uranium is converted and physically delivered to an Enricher as described in the toll conversion services arrangement. Based on delivery terms in a sales contract with its customer, Cameco instructs the Enricher to transfer title of a contractually specified quantity of converted uranium to the customer's account at the Enricher's facility. At this point, Cameco invoices the customer and recognizes revenue for both the uranium supplied and the conversion service provided. It is rare for Cameco to enter into back-to-back arrangements for uranium supply and toll conversion services. However, in the event that a customer requires such an arrangement, revenue from uranium supply is deferred until the toll conversion service has been rendered.

Revenue from deliveries to counterparties with whom Cameco has arranged a standby product loan facility (up to the limit of the loan facilities) and the related cost of sales are deferred until the loan arrangements have been terminated, or if drawn upon, when the loans are repaid and that portion of the facility is terminated.

Electricity sales are recognized at the time of generation, and delivery to the purchasing utility is metered at the point of interconnection with the transmission system. Revenues are recognized on an accrual basis, which includes an estimate of the value of electricity produced during the period but not yet billed.

(o) Amortization of Financing Costs

For financial instruments that are measured at amortized cost, the effective interest method of amortization is used for any debt discounts and issue expenses. Unamortized costs are classified with their related financial liability.

(p) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at rates in effect at the time of the transactions. The applicable exchange gains and losses arising on these transactions are reflected in earnings.

The United States (US) dollar is considered the functional currency of most of Cameco's operations outside of Canada. The financial statements of these operations are translated into Canadian dollars using the current rate method whereby all assets and liabilities are translated at the year-end rate of exchange, and all revenue and expense items are translated at the average rate of exchange prevailing during the year. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on Cameco's net investment in these foreign operations, are recorded in the foreign currency translation adjustments component of accumulated other comprehensive income (AOCI). Exchange gains or losses arising from the translation of foreign debt designated as hedges of a net investment in foreign operations are also recorded in the foreign currency translation adjustments component of AOCI. These adjustments are not included in earnings until realized through a reduction in Cameco's net investment in such operations.

(q) Derivative Financial Instruments and Hedging Transactions

Financial Assets and Financial Liabilities

All financial assets and liabilities are carried at fair value in the consolidated balance sheets, except for items classified in the following categories, which are carried at amortized cost: loans and receivables, held-to-maturity securities and financial liabilities not held-for-trading. Realized and unrealized gains and losses on financial assets and liabilities that are held-for-trading are recorded in the consolidated statements of earnings. Unrealized gains and losses on financial assets that are available-for-sale are reported in OCI until realized, at which time they are recorded in the consolidated statements of earnings.

Hedge Accounting and Derivatives

Derivative financial and commodity instruments are employed by Cameco to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. All derivative instruments are recorded at fair value in the consolidated balance sheets, except for those designated as hedging instruments.

The purpose of hedging transactions is to modify Cameco's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash inflows attributable to, the hedged item and the hedging item. Hedge accounting ensures that the offsetting gains, losses, revenues and expenses are recognized to net earnings in the same period or periods. When hedge accounting is appropriate, the hedging relationship is designated as a fair value hedge, a cash flow hedge, or a foreign currency risk hedge related to a net investment in a self-sustaining foreign operation.

At the inception of a hedging relationship, Cameco formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Cameco also formally assesses, both at the inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For fair value hedges, changes in the fair value of the derivatives and corresponding changes in fair value of the hedged items attributed to the risk being hedged are recognized in the consolidated statements of earnings. For cash flow hedges, the effective portion of the changes in the fair values of the derivative instruments are recorded in OCI until the hedged items are recognized in the consolidated statements of earnings. Derivative instruments that do not qualify for hedge accounting, or are not designated as hedging instruments, are marked-to-market and the resulting net gains or losses are recognized on the consolidated statements of earnings.

Derivatives may be embedded in other financial instruments (the "host instrument"). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in gains or losses on derivatives on the consolidated statements of earnings.

(r) Earnings Per Share

Earnings per share are calculated using the weighted average number of common shares outstanding.

The calculation of diluted earnings per share assumes that outstanding options and warrants which are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

3. Accounting Standards

(a) Future Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. As a result, Cameco will publish its first consolidated financial statements, prepared in accordance with IFRS, for the quarter ending March 31, 2011. We will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2010.

4. Financial Risk Management

This note presents information about various risks that Cameco is exposed to from its use of financial instruments, its objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Overview

Cameco is exposed in varying degrees to a variety of financial instrument related risks. Management and the board of directors, both separately and together, discuss the principal risks of our businesses. The board sets policies for the implementation of systems to manage, monitor and mitigate identifiable risks. Cameco's risk management objective in relation to these instruments is to protect and minimize volatility in cash flow.

Market Risk

Cameco engages in various business activities which expose the company to market risk from changes in commodity prices and foreign currency exchange rates. As part of its overall risk management strategy, Cameco uses derivatives to manage some of its exposures to market risk that result from these activities.

Derivative instruments may include financial and physical forward contracts. Such contracts may be used to establish a fixed price for a commodity, an interest-bearing obligation or a cash flow denominated in a foreign currency. Market risks are monitored regularly against defined risk limits and tolerances.

Cameco's actual exposure to these market risks is constantly changing as the company's portfolios of foreign currency and commodity contracts change. Changes in fair value or cash flows based on market variable fluctuations cannot be extrapolated as the relationship between the change in the market variable and the change in fair value or cash flow may not be linear.

The types of risk exposure and the way in which such exposure is managed are as follows:

(a) Commodity Price Risk

As a significant producer and supplier of uranium, nuclear fuel processing and electricity, Cameco bears significant exposure to changes in prices for these products. A substantial change in prices will affect the company's net earnings and operating cash flows. Prices for Cameco's products are volatile and are influenced by numerous factors beyond the company's control, such as supply and demand fundamentals, geopolitical events and, in the case of electricity prices, weather.

Cameco's sales contracting strategy focuses on reducing the volatility in future earnings and cash flow, while providing both protection against decreases in market price and retention of exposure to future market price increases. To mitigate the risks associated with the fluctuations in the market price for uranium products, Cameco seeks to maintain a portfolio of uranium product sales contracts with a variety of delivery dates and pricing mechanisms that provide a degree of protection from pricing volatility. To mitigate risks associated with fluctuations in the market price for electricity, BPLP enters into various energy and sales related contracts that qualify as cash flow hedges. At December 31, 2010, the effect of a $1/MWh increase in the market price for electricity would be a decrease of $175,000 in net earnings, and a decrease in other comprehensive income of $850,000 for 2010.

(b) Foreign Exchange Risk

The relationship between the Canadian and US dollars affects financial results of the uranium business as well as the fuel services business.

Sales of uranium and fuel services are routinely denominated in US dollars while production costs are largely denominated in Canadian dollars. Cameco attempts to provide some protection against exchange rate fluctuations by planned hedging activity designed to smooth volatility. Cameco also has a natural hedge against US currency fluctuations because a portion of its annual cash outlays, including purchases of uranium and fuel services, is denominated in US dollars. At December 31, 2010, the effect of a $0.01 increase in the US to Canadian dollar exchange rate on our portfolio of currency hedges and other US denominated exposures would have been a decrease of $9,200,000 in net earnings for 2010.

(c) Counterparty Credit Risk

Cameco's sales of uranium product, conversion and fuel manufacturing services expose the company to the risk of non-payment. Counterparty credit risk is associated with the ability of counterparties to satisfy their contractual obligations to Cameco, including both payment and performance.

Cameco manages this risk by monitoring the credit worthiness of our customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk.

Cameco's maximum counterparty credit exposure at the balance sheet date consists primarily of the carrying amount of financial assets such as accounts receivable and short-term investments. At December 31, 2010, there were no significant concentrations of credit risk and no amounts were held as collateral.

(d) Liquidity Risk

Financial liquidity represents Cameco's ability to fund future operating activities and investments. Cameco ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the company's holdings of cash and cash equivalents. The company believes that these sources will be sufficient to cover the likely short-term and long-term cash requirements.

The tables below outline the maturity dates for Cameco's non-derivative financial liabilities including, principal and interest, as at December 31, 2010:

(Millions)	Total	Due in less than 1 year	Due in 1-3 years	Due in 3-5 years	Due after 5 years
Long-term debt	**$ 794**	$ —	$ —	$ 298	$ 496
BPLP lease	**159**	13	31	39	76
Short-term debt	**73**	73	—	—	—
Total contractual repayments	**$ 1,026**	$ 86	$ 31	$ 337	$ 572

(Millions)	Total	Due in less than 1 year	Due in 1-3 years	Due in 3-5 years	Due after 5 years
Interest on long-term debt	**$ 312**	$ 42	$ 85	$ 81	$ 104
Interest on BPLP lease	**55**	11	20	15	9
Interest on short-term debt	**2**	2	—	—	—
Total interest payments	**$ 369**	$ 55	$ 105	$ 96	$ 113

(e) Interest Rate Risk

During the year, Cameco entered into interest rate swap arrangements whereby fixed rate payments in relation to part of the $300,000,000 Series C debenture were swapped for variable rate payments. The notional amount under the swap arrangements is $135,000,000. Concurrently, Cameco has entered into interest rate cap arrangements at a notional amount of $135,000,000 million that are effective March 18, 2013 and terminate on March 16, 2015. These interest rate cap arrangements, when effective, will limit Cameco's interest rate exposure to 5% plus an average margin of 1.81%.

At December 31, 2010, the effect of a 1% increase in the three-month bankers acceptance rate would be a decrease in net earnings of $3,570,000.

Capital Management

Cameco's capital structure reflects our vision and the environment in which we operate. We seek growth through development and expansion of existing assets and by acquisition. Our capital resources are managed to support achievement of our goals. The overall objectives for managing capital remained unchanged in 2010 from the prior comparative period.

Cameco's management considers its capital structure to consist of long-term debt, short-term debt (net of cash and cash equivalents), minority interest and shareholders' equity.

The capital structure at December 31, 2010 was as follows:

(Thousands)	2010	2009
Long-term debt	$ 953,494	$ 964,482
Short-term debt	72,948	76,762
Cash and cash equivalents	(376,621)	(1,101,229)
Short-term investments	(883,032)	(202,836)
Net debt	(233,211)	(262,821)
Minority interest	178,139	164,040
Shareholders' equity	5,216,327	4,843,828
Total equity	5,394,466	5,007,868
Total capital	$5,161,255	$ 4,745,047

Cameco is bound by certain covenants in its general credit facilities. These covenants place restrictions on total debt, including guarantees, and set minimum levels for net worth. As of December 31, 2010, Cameco met these requirements.

5. Short-Term Investments

In 2010, Cameco purchased money market instruments with terms to maturity between three and 12 months. The fair values of marketable securities held at December 31, 2010 were $883,032,000 (2009 — $202,836,000).

6. Inventories

	2010	2009
Uranium		
Concentrate	$392,613	$310,893
Broken ore	12,264	18,125
	404,877	329,018
Fuel Services	137,649	124,206
Total	**$542,526**	**$453,224**

7. Property, Plant and Equipment

	Cost	Accumulated Depreciation and Depletion	2010 Net	2009 Net
Uranium				
Mining	$3,562,849	$ 1,657,227	$1,905,622	$1,801,379
Non-producing	1,674,131	—	1,674,131	1,476,409
Fuel Services	507,221	233,973	273,248	279,313
Electricity				
Assets under capital lease	164,288	89,744	74,544	83,866
Other	610,826	257,945	352,881	361,377
Other	125,178	67,795	57,383	65,759
Total	**$6,644,493**	**$ 2,306,684**	**$4,337,809**	**$4,068,103**

8. Intangible Assets

	Cost	Accumulated Depreciation	2010 Net	2009 Net
Intangible assets	$118,819	$ 24,549	$94,270	$97,713

The intangible asset value relates to intellectual property associated with Cameco Fuel Manufacturing and is being amortized on a units-of-production basis.

9. Long-Term Receivables, Investments and Other

	2010	2009
Bruce B L.P. (BPLP) [note 21]		
Capital lease receivable from Bruce A L.P. (BALP) (i)	$ 91,608	$ 94,895
Derivatives [note 26]	77,831	141,949
Accrued pension benefit asset [note 23]	88,268	54,864
Equity accounted investments		
Global Laser Enrichment LLC (Cameco's interest 24%) (privately held)	162,718	185,716
UNOR Inc.	—	935
UEX Corporation (market value $103,186)	9,998	6,052
Huron Wind (privately held)	3,913	4,002
Minergia S.A.C. (privately held)	8,337	4,551
UFP Investments Inc. (privately held)	6,784	2,617
Available-for-sale securities		
Western Uranium Corporation (market value $6,033)	6,033	4,637
GoviEx Uranium (privately held)	23,017	25,214
Derivatives [note 26]	50,011	68,432
Deferred charges		
Cost of sales [note 13]	—	14,415
Advances receivable from Inkai JV LLP (ii)	125,072	141,149
Accrued pension benefit asset [note 23]	6,142	8,264
Other	60,539	64,320
	720,271	822,012
Less current portion	(91,447)	(154,725)
Net	**$628,824**	**$ 667,287**

(i) BPLP leases the Bruce A nuclear generating plants and other property, plant and equipment to BALP under a sublease agreement. Future minimum base rent sublease payments under the capital lease receivable are imputed using a 7.5% discount rate.

(ii) Through an unsecured shareholder loan, Cameco has agreed to fund the development of the Inkai project. The limit of the loan facility is $370,000,000 (US) and advances under the facility bear interest at a rate of LIBOR plus 2%. At December 31, 2010, $314,000,000 (US) of principal and interest was outstanding (2009 — $337,000,000 (US)), of which 40% represents the joint venture partner's share.

10. Short-Term Debt

In 2008, a promissory note in the amount of $73,344,000 (US) was issued to finance the acquisition of GE-Hitachi Global Laser Enrichment LLC (GLE). The promissory note is payable on demand and bears interest at a market rate of 2.72%.

In February 2009, Cameco concluded an arrangement for a $100,000,000 unsecured revolving credit facility. The original maturity date of the facility was February 5, 2010, however, in November 2010, upon mutual agreement with the lender, this facility was further extended to February 4, 2012. There are no longer any extensions available under this facility and there is no amount outstanding.

11. Long-Term Debt

	2010	2009
Debentures	$794,483	$793,842
Capital lease obligation — BPLP	159,011	170,640
	953,494	964,482
Less current portion	(13,177)	(11,629)
Net	**$940,317**	**$952,853**

Cameco has $300,000,000 outstanding in senior unsecured debentures (Series C). These debentures bear interest at a rate of 4.7% per annum (effective interest rate of 4.79%) and mature September 16, 2015.

On September 2, 2009, Cameco issued debentures in the amount of $500,000,000. The debentures bear interest at 5.67% per annum (effective interest rate of 5.80%) and mature on September 2, 2019. The proceeds of the issue after deducting expenses were $495,300,000.

Cameco has a $500,000,000 unsecured revolving credit facility that is available until November 30, 2012. In addition to direct borrowings under the facility, up to $100,000,000 can be used for the issuance of letters of credit and, to the extent necessary, up to $400,000,000 may be allocated to provide liquidity support for the company's commercial paper program. The facility ranks equally with all of Cameco's other senior debt. At December 31, 2010, there were no amounts outstanding under this credit facility (2009 — nil). Cameco may also borrow directly in the commercial paper market. There was no commercial paper outstanding at December 31, 2010 (2009 — nil). These amounts, when drawn, are classified as long-term debt.

Cameco is bound by certain covenants in its revolving credit facilities. The significant financial covenants require a funded debt to tangible net worth ratio equal to or less than 1:1 and a tangible net worth greater than $1,250,000,000. Non-compliance with any of these covenants could result in accelerated payment and termination of the revolving credit facility. At December 31, 2010, Cameco was in compliance with covenants and does not expect its operating and investing activities in 2011 to be constrained by them.

Cameco has $554,934,000 ($400,882,000 and $154,889,000 (US)) in letter of credit facilities. The majority of the outstanding letters of credit at December 31, 2010 relate to future decommissioning and reclamation liabilities [note 12] and amounted to $549,533,000 ($395,818,000 and $153,987,000 (US)) (2009 — $592,215,000 ($396,427,000 and $187,071,000 (US)).

BPLP holds a long-term lease with OPG to operate the Bruce nuclear power facility. The term of the lease, which expires in 2018, is 18 years with an option to extend the lease for up to an additional 25 years. The interest rate associated with the lease is 7.5%.

BPLP has a $200,000,000 (Cameco's share $63,200,000) revolving credit facility that is available until July 30, 2013, as well as $270,000,000 (Cameco's share $83,320,000) in letter of credit facilities. As at December 31, 2010, BPLP had $45,000,000 (Cameco's share $14,220,000) outstanding under the revolving credit facility (2009 — $35,000,000 (Cameco's share $11,060,000)) and $270,000,000 (Cameco's share $85,320,000) outstanding under the letter of credit facilities (2009 — $184,000,000 (Cameco's share $58,144,000)).

The table below represents currently scheduled maturities of long-term debt and capital lease obligations over the next five years.

2011	$ 13,177
2012	14,852
2013	16,337
2014	18,233
2015	319,040
Thereafter	571,855
Total	**$953,494**

Standby Product Loan Facilities

Cameco had arranged for a standby product loan facility with one of its customers. The arrangement, which was finalized in 2008, allowed Cameco to borrow up to 2,400,000 pounds U_3O_8 equivalent over the period 2008 to 2011 with repayment during 2012 to 2014. Under the loan facility, standby fees of 2% were payable based on the market value of the facility, and interest was payable on the market value of any amounts drawn at a rate of 5%. Any borrowings were repayable in kind.

On September 13, 2010, Cameco gave notice of termination to the counterparty of the product loan agreement. The loan facility was terminated on October 15, 2010.

12. Provision for Reclamation

Cameco's estimates of future asset retirement obligations are based on reclamation standards that satisfy regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties.

Cameco estimates total future decommissioning and reclamation costs for its operating assets to be $465,709,000. These estimates are reviewed by Cameco technical personnel as required by regulatory agencies or more frequently as circumstances warrant. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of $548,933,000 in the form of letters of credit to satisfy current regulatory requirements.

Under the BPLP lease agreement, OPG, as the owner of the Bruce nuclear plants, is responsible to decommission the Bruce facility and to provide funding and meet other requirements that the Canadian Nuclear Safety Commission (CNSC) may require of BPLP as licensed operator of the Bruce facility. OPG is also responsible to manage radioactive waste associated with decommissioning of the Bruce nuclear plants.

Following is a reconciliation of the total liability for asset retirement obligations:

	2010	2009
Balance, beginning of year	$258,277	$276,431
Changes in estimates	20,201	(17,125)
Liabilities settled	(12,542)	(4,599)
Accretion expense	17,208	17,828
Impact of foreign exchange	(3,491)	(14,258)
Balance, end of year	**$279,653**	**$258,277**

Following is a summary of the key assumptions on which the carrying amount of the asset retirement obligations is based:

(i) Total undiscounted amount of the estimated cash flows — $465,709,000.

(ii) Expected timing of payment of the cash flows — timing is based on life of mine plans. The majority of expenditures are expected to occur after 2016.

(iii) Discount rates – 5.00% to 7.50%.

The asset retirement obligations liability relates to the following segments:

	2010	2009
Uranium	$211,927	$192,544
Fuel Services	67,726	65,733
Total	**$279,653**	**$258,277**

13. Other Liabilities

	2010	2009
Deferred sales [note 9]	$ 17,004	$ 24,982
Derivatives [note 26]	5,273	4,137
Accrued post-retirement benefit liability [note 23]	13,355	12,019
Pensions [note 23]	659	491
BPLP		
Accrued post-retirement benefit liability [note 23]	138,533	125,402
Pensions [note 23]	20,699	18,251
Derivatives [note 26]	29,954	36,820
Provision for waste disposal	37,660	38,619
Other	9,270	13,009
	272,407	273,730
Less current portion	(28,228)	(29,297)
Net	**$244,179**	**$244,433**

14. Share Capital

Authorized share capital:

Unlimited number of first preferred shares

Unlimited number of second preferred shares

Unlimited number of voting common shares, and

One Class B share

(a) Common Shares

Number Issued (Number of Shares)	2010	2009
Beginning of year	392,838,733	365,718,923
Issued:		
Equity issuance	—	26,666,400
Stock option plan [note 22]	1,512,310	453,410
Issued share capital	**394,351,043**	**392,838,733**

(b) Class B Share

One Class B share issued during 1988 and assigned $1 of share capital entitles the shareholder to vote separately as a class in respect of any proposal to locate the head office of Cameco to a place not in the province of Saskatchewan.

(c) Share Issuance

On March 5, 2009, Cameco issued 26,666,400 common shares pursuant to a public offering for a total consideration of $459,995,000. The proceeds of the issue after deducting expenses were $445,532,000. Excluding the deferred tax recoveries, our net cash proceeds amounted to $440,150,000 in 2009.

15. Interest and Other

	2010	2009
Interest on long-term debt	$ 47,877	$ 38,377
Interest on short-term debt	2,005	2,366
Foreign exchange (gains) losses	6,626	(21,086)
Other charges	8,597	11,302
Interest income	(13,910)	(6,614)
Capitalized interest	(47,721)	(36,815)
Net	**$ 3,474**	**$(12,470)**

16. Loss (Gain) on Sale of Assets

	2010	2009
Sale of geological data	$ (1,107)	$ (3,674)
Other	1,214	3,108
Net	**$ 107**	**$ (566)**

17. Other Expense

	2010	2009
Equity in loss of associated companies	$(16,413)	$(29,811)
Other	5,263	(7,101)
Net	**$(11,150)**	**$(36,912)**

In 2010, the equity in loss of associated companies includes a charge of $11,363,000 for the amortization of in-process research and development associated with the investment in GLE (2009 — $18,295,000).

18. Income Taxes

The significant components of future income tax assets and liabilities at December 31 are as follows:

	2010	2009
Assets		
Provision for reclamation	$ 92,198	$ 89,996
Foreign exploration and development	47,230	40,221
Income tax losses carried forward	41,625	100,783
Other	46,617	31,185
Future income tax assets before valuation allowance	227,670	262,185
Valuation allowance	(63,843)	(57,398)
Future income tax assets, net of valuation allowance	**$163,827**	**$204,787**
Liabilities		
Property, plant and equipment	$292,631	$338,645
Inventories	24,264	5,618
Long-term investments and other	46,484	82,015
Future income tax liabilities	**$363,379**	**$426,278**
Net future income tax liabilities	**$199,552**	**$221,491**

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	2010	2009
Earnings before income taxes and minority interest	$ 531,648	$ 766,859
Combined federal and provincial tax rate	30.2%	31.4%
Computed income tax expense	160,558	240,794
Increase (decrease) in taxes resulting from:		
Reduction in income tax rates	(29,508)	(10,983)
Manufacturing and processing deduction	(3,846)	(3,211)
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(126,222)	(175,969)
Change in valuation allowance	13,499	18,125
Capital and other taxes	1,409	1,824
Stock-based compensation plans	2,696	1,371
Other permanent differences	8,665	(19,054)
Income tax expense	**$ 27,251**	**$ 52,897**

In 2008, as part of the ongoing annual audits of Cameco's Canadian tax returns, Canada Revenue Agency (CRA) disputed the transfer pricing methodology used by Cameco and its wholly owned Swiss subsidiary, Cameco Europe Ltd. (CEL), in respect of sale and purchase agreements for uranium products. In December 2008, CRA issued a notice of reassessment, which increased Cameco's 2003 income for Canadian income tax purposes by approximately $43,000,000. Additional reassessments for 2003 were issued by CRA in 2009 and 2010, both to similar effect. In December 2009, CRA issued a notice of reassessment for the 2004 taxation year, which increased Cameco's 2004 income by approximately $108,000,000. Another reassessment for 2004 was issued by CRA on May 13, 2010 to similar effect. In December 2010, CRA issued a notice of reassessment for the 2005 taxation year, which increased Cameco's 2005 taxable income by approximately $197,000,000. No reassessment received to date has resulted in more than a nominal amount of cash taxes becoming payable due to the availability of elective deductions and tax loss carrybacks. Cameco believes it is likely that CRA will reassess Cameco's tax returns for the years 2006 through 2010 on a similar basis.

CRA's Transfer Pricing Review Committee is scheduled to meet in late February, 2011, to decide whether to impose a penalty for 2005. Given that the Transfer Pricing Review Committee did not impose a transfer pricing penalty for 2003 or 2004, we do not expect that a penalty will be imposed for 2005.

Having regard to advice from its external advisors, Cameco's opinion is that CRA's position is incorrect, and Cameco is contesting CRA's position. However, to reflect the uncertainties of CRA's appeals process and litigation, Cameco has recorded a cumulative tax provision related to this matter for the years 2003 through 2010 in the amount of $27,000,000. No provisions for penalties or interest have been recorded. We do not expect more than a nominal amount of cash taxes to be payable due to availability of elective deductions and tax loss carryovers. While the resolution of this matter may result in liabilities that are higher or lower than the reserve, management believes that the ultimate resolution will not be material to Cameco's financial position, results of operations or liquidity over the period. However, an unfavourable outcome for the years 2003 to 2010 could be material to Cameco's financial position, results of operations or cash flows in the year(s) of resolution.

Further to Cameco's decision to contest CRA's reassessments, a Notice of Appeal for the 2003 taxation year was filed with the Tax Court of Canada on July 22, 2009, and amended on January 26, 2011, and the litigation process is proceeding. In connection with CRA's 2004 reassessment, Cameco is contesting the reassessment and pursuing its appeal rights under the Income Tax Act. A Notice of Appeal for the 2004 taxation year was filed with the Tax Court of Canada on November 10, 2010. Cameco intends to object to the 2005 reassessment and pursue its appeal rights under the Income Tax Act.

	2010	2009
Earnings (loss) before income taxes and minority interest		
Canada	$ (27,641)	$109,534
Foreign	559,289	657,325
	$531,648	**$766,859**
Current income taxes (recovery)		
Canada	$ (12,280)	$ 17,109
Foreign	38,919	33,551
	$ 26,639	**$ 50,660**
Future income taxes (recovery)		
Canada	$ 7,105	$ 3,885
Foreign	(6,493)	(1,648)
	$ 612	**$ 2,237**
Income tax expense	**$ 27,251**	**$ 52,897**

For 2010, earnings from discontinued operations [note 24] included a net income tax expense of nil, (2009 – recovery of $94,600,000).

At December 31, 2010, loss carry forwards of $136,000,000 (2009 — $380,000,000) are available to reduce taxable income. These losses expire as follows:

Date of expiry	Canada	US	Other	Total
2011	—	$ 158	—	$ 158
2013	—	1,722	—	1,722
2019	—	—	7,255	7,255
2029	—	17,463	—	17,463
2030	441	10,546	—	10,987
no expiry	—	—	98,657	98,657
	$ 441	**$29,889**	**$105,912**	**$136,242**

Included in the table above is $101,000,000 (2009 — $94,000,000) of temporary differences related to loss carry forwards where no future benefit is realized.

Other comprehensive income included on the consolidated statements of shareholders' equity and the consolidated statements of comprehensive income is presented net of income taxes. The following income tax amounts are included in each component of other comprehensive income:

	2010	2009
Gains on derivatives designated as cash flow hedges	$ 2,977	$ 48,368
Gains on derivatives designated as cash flow hedges transferred to net earnings	(29,400)	(48,121)
Unrealized gains on assets available-for-sale	330	466
(Gains) losses on assets available-for-sale transferred to net earnings	(399)	80
Total income tax expense (recovery) included in OCI	**$(26,492)**	**$ 793**

Accumulated other comprehensive income included on the consolidated statements of shareholders' equity and the consolidated statement of accumulated other comprehensive income is presented net of income taxes. The following income tax amounts are included in each component of accumulated other comprehensive income:

	2010	2009
Gains on derivatives designated as cash flow hedges	$ 10,564	$ 36,987
Gains on assets available-for-sale	277	346
Total income tax expense included in AOCI	**$ 10,841**	**$ 37,333**

19. Statements of Cash Flows
Other Operating Items

	2010	2009
Changes in non-cash working capital:		
Accounts receivable	$ (1,566)	$ 34,556
Inventories	(74,899)	(74,938)
Supplies and prepaid expenses	(21,229)	(27,838)
Accounts payable and accrued liabilities	(141,748)	30,784
Other	(29,551)	(46,897)
Total	**$(268,993)**	**$(84,333)**

20. Uranium Joint Ventures

Cameco conducts a portion of its exploration, development, mining and milling activities through joint ventures. Cameco proportionately consolidates its ownership interest in these assets. The McArthur River, Key Lake and Cigar Lake joint ventures allocate uranium production to each joint venture participant and the joint venture participant derives revenue directly from the sale of such product. Mining and milling expenses incurred by the joint venture are included in the cost of inventory.

The participants in the Inkai joint venture purchase uranium from Inkai and, in turn, derive revenue directly from the sale of such product to third party customers. On proportionate consolidation of Inkai, Cameco eliminates revenues and cost of sales recorded by Inkai related to sales by Inkai directly to Cameco. After elimination of these related party sales for the period, there are no revenues and expenses resulting from proportionate consolidation of Inkai and accordingly, a statement showing revenues and expenses from Inkai has not been provided.

The following table outlines Cameco's proportionate interest of the assets and liabilities of each joint venture:

	Ownership	2010	2009
Total Assets			
McArthur River	69.81%	$ 963,510	$ 923,786
Key Lake	83.33%	469,156	401,604
Cigar Lake	50.03%	1,022,770	874,661
Inkai	60.00%	233,884	255,932
		$2,689,320	$2,455,983
Total Liabilities			
McArthur River	69.81%	$ 31,960	$ 25,183
Key Lake	83.33%	73,345	65,706
Cigar Lake	50.03%	22,208	14,076
Inkai	60.00%	11,341	8,627
		$ 138,854	$ 113,592

21. Investment in BPLP

Cameco holds a 31.6% interest in BPLP, which is governed by an agreement that provides for joint control of the strategic operating, investing and financing activities among the three major partners. Cameco proportionately consolidates its 31.6% interest in BPLP.

Fuel Supply Agreements

Cameco has entered into fuel supply agreements with BPLP for the procurement of fabricated fuel. Under these agreements, Cameco will supply uranium, conversion services and fabrication services. Contract terms are at market rates and on normal trade terms. During 2010, sales of uranium and conversion services to BPLP amounted to $80,211,000 (2009 — $84,909,000), approximately 3.8% (2009 – 3.7%) of Cameco's total revenue. At December 31, 2010, amounts receivable under these agreements totaled $19,667,000 (2009 — $11,505,000).

The following schedules reflect Cameco's 31.6% proportionate interest in the balance sheets, statements of earnings and statements of cash flows of BPLP.

Balance Sheets

(Millions)	2010	2009
Current assets	$ 207	$ 252
Property, plant and equipment	373	390
Long-term receivables and investments	213	207
	$ 793	**$ 849**
Current liabilities	$ 125	$ 129
Long-term liabilities	314	320
	439	449
Equity	354	400
	$ 793	**$ 849**

Statements of Earnings

(Millions)	2010	2009
Revenue	$ 477	$ 518
Operating costs	294	286
Earnings before interest and taxes	183	232
Interest	11	1
Earnings before taxes	**$ 172**	**$ 231**

Statements of Cash Flows

(Millions)	2010	2009
Cash provided by operations	$ 203	$ 238
Cash used in investing	(32)	(36)
Cash used in financing	(172)	(200)

22. Stock-Based Compensation Plans

Stock Option Plan

Cameco has established a stock option plan under which options to purchase common shares may be granted to officers and other employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on the TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. Options have not been awarded to directors since 2003 and the plan has been amended to preclude the issue of options to directors.

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 26,092,439 shares have been issued.

Stock option transactions for the respective years were as follows:

(Number of Options)	2010	2009
Beginning of year	7,939,833	7,120,555
Options granted	1,515,945	1,381,039
Options exercised [note 14]	(1,512,310)	(453,410)
Options forfeited	(391,089)	(108,351)
End of year	**7,552,379**	**7,939,833**
Exercisable	**4,814,761**	**5,550,148**

Weighted average exercise prices were as follows:

	2010	2009
Beginning of year	$ 27.42	$ 27.98
Options granted	28.90	19.41
Options exercised	12.75	9.79
Options forfeited	35.05	35.68
End of year	**$ 30.26**	**$ 27.42**
Exercisable	**$ 32.02**	**$ 26.84**

Total options outstanding and exercisable at December 31, 2010 were as follows:

2010	Options Outstanding			Options Exercisable	
Option Price Per Share	Number	Weighted Average Remaining Life	Weighted Average Exercisable Price	Number	Weighted Average Exercisable Price
$5.75 - 13.49	788,200	2	$ 9.72	788,200	$ 9.72
13.50 - 32.99	3,755,092	6	25.33	1,381,999	25.25
33.00 - 55.00	3,009,087	5	41.78	2,644,562	42.19
	7,552,379			**4,814,761**	

The foregoing options have expiry dates ranging from March 9, 2011 to March 2, 2018.

Non-vested stock option transactions for the respective years were as follows:

(Number of Options)	2010	2009
Beginning of year	2,389,685	2,163,426
Options granted	1,515,945	1,381,039
Options forfeited	(91,439)	(75,039)
Options vested	(1,076,573)	(1,079,741)
End of year	**2,737,618**	**2,389,685**

For the year ended December 31, 2010, Cameco has recorded a net expense of $8,931,000 (2009 - $4,372,000), related to options that vested during the year.

The fair value of the options granted each year was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	2009
Number of options granted	1,515,945	1,381,039
Average strike price	$ 28.90	$ 19.41
Expected dividend	$ 0.28	$ 0.24
Expected volatility	36%	36%
Risk-free interest rate	2.1%	1.6%
Expected life of option	4.0 years	4.0 years
Expected forfeitures	15%	15%
Weighted average grant date fair values	$ 8.46	$ 5.23

Executive Performance Share Unit (PSU), Deferred Share Unit (DSU), and Other Plans

Commencing in 2005, Cameco 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 at the board's discretion, 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. Vesting of PSUs at the end of the three-year period will be based on total shareholder return over the three years, Cameco's ability to meet its annual cash flow from operations targets and whether the participating executive remains employed by Cameco at the end of the three-year vesting period. As of December 31, 2010, the total PSUs held by the participants was 395,360 (2009 – 233,710). In 2010, Cameco recognized an expense of $3,679,000 in relation to PSUs (2009 - $3,347,000).

Cameco offers a deferred share unit plan to non-employee directors. A DSU is a notional unit that reflects the market value of a single common share of Cameco. 60% of each director's annual retainer is paid in DSUs. In addition, on an annual basis, directors can elect to receive 25%, 50%, 75% or 100% of the remaining 40% of their annual retainer and any additional fees in the form of DSUs. If a director meets their ownership requirements, the director may elect to take 25%, 50%, 75% or 100% of their annual retainer and any fees in cash, with the balance, if any, to be paid in DSUs. Each DSU fully vests upon award. The DSUs will be redeemed for cash upon a director leaving the board. The redemption amount will be based upon the weighted average of the closing prices of the common shares of Cameco on the TSX for the last 20 trading days prior to the redemption date multiplied by the number of DSUs held by the director. As of December 31, 2010, the total DSUs held by participating directors was 354,276 (2009 – 373,921).

Cameco makes annual grants of bonuses to eligible non-North American employees in the form of phantom stock options. Employees receive the equivalent value of shares in cash when exercised. Options granted under the phantom stock option plan have an award value equal to the closing price quoted on the TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. As of December 31, 2010, the number of options held by participating employees was 242,051 (2009 –267,148) with exercise prices ranging from $5.88 to $46.88 per share (2009 - $5.88 to $46.88) and a weighted average exercise price of $30.00 (2009 — $30.61).

Commencing in 2007, Cameco created an employee share ownership plan whereby both employee and company contributions are used to purchase shares on the open market for employees. The company's contributions are expensed during the year of contribution. Under the plan, all employees have the opportunity to participate in the program to a maximum of 6% of eligible earnings each year with Cameco matching the first 3% of employee-paid shares by 50%. Cameco contributes $1,000 of shares annually to each employee that is enrolled in the plan. At December 31, 2010, there were 3,496 participants in the plan (2009 – 3,306). The total number of shares purchased in 2010 on behalf of participants, including the company contribution, was 214,795 shares (2009 – 281,207). In 2010, the company's contributions totaled $6,608,000 (2009 — $5,166,000).

Cameco has recognized the following expenses under these plans:

	2010	2009
Deferred share units	1,971	4,930
Phantom stock options	979	1,531
Employee share ownership plan	6,608	5,166

At December 31, 2010, a liability of $16,798,000 (2009 — $14,962,000) was included in the balance sheet to recognize accrued but unpaid expenses for these plans.

23. Pension and Other Post-Retirement Benefits

Cameco maintains both defined benefit and defined contribution plans providing pension and post-retirement benefits to substantially all of its employees.

Under the defined pension benefit plans, Cameco provides benefits to retirees based on their length of service and final average earnings. The non-pension post-retirement plan covers such benefits as group life and supplemental health insurance to eligible employees and their dependants. The costs related to the non-pension post-retirement plans are charged to earnings in the period during which the employment services are rendered. However, these future obligations are not funded.

The effective date for the most recent valuations for funding purposes on the pension benefit plans is January 1, 2009. The next planned effective date for valuation for funding purposes of the pension benefit plans is set to be January 1, 2012. The status of the defined plans is as follows:

(a) Accrued Benefit Obligation

	Pension Benefit Plans		Other Benefit Plans	
	2010	2009	2010	2009
Balance at beginning of year	$ 30,840	$ 23,580	$12,019	$11,842
Current service cost	1,330	915	553	435
Interest cost	1,905	1,683	664	730
Actuarial loss (gain)	3,535	5,647	720	(442)
Foreign exchange	(81)	(238)	—	—
Benefits paid	(2,011)	(747)	(601)	(546)
****	**$ 35,518**	**$ 30,840**	**$13,355**	**$12,019**

(b) Plan Assets

	Pension Benefit Plans	
	2010	2009
Fair value at beginning of year	$ 24,209	$ 20,289
Actual return on plan assets	3,739	(708)
Employer contributions	1,158	5,335
Benefits paid	(1,971)	(707)
Fair value at end of year	**$ 27,135**	**$ 24,209**

Plan assets consist of:

	Pension Benefit Plans	
	2010	2009
Asset Category (i)		
Equity securities	26%	28%
Fixed income	22%	23%
Other (ii)	52%	49%
Total	**100%**	**100%**

(i) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2010 and 2009 respectively.

(ii) Relates to the value of the refundable tax account held by the Canada Revenue Agency. The refundable total is approximately equal to half of the sum of the realized investment income plus employer contributions less half of the benefits paid by the plan.

(c) Funded Status Reconciliation

	Pension Benefit Plans		Other Benefit Plans	
	2010	2009	2010	2009
Fair value of plan assets	$ 27,135	$ 24,209	$ —	$ —
Accrued benefit obligation	35,518	30,840	13,355	12,019
Funded status of plans — deficit	(8,383)	(6,631)	(13,355)	(12,019)
Unamortized net actuarial loss	13,866	14,404	—	—
Accrued benefit asset (liability)	**$ 5,483**	**$ 7,773**	**$(13,355)**	**$(12,019)**
Amounts included in:				
Long-term receivables, investments and other [note 9]	6,142	8,264	—	—
Other liabilities [note 13]	(659)	(491)	(13,355)	(12,019)
Accrued benefit asset (liability)	**$ 5,483**	**$ 7,773**	**$(13,355)**	**$(12,019)**

(d) Net Pension Expense

	2010	2009
Current service cost	$ 1,330	$ 915
Interest cost	1,905	1,683
Actual return on plan assets	(3,739)	708
Actuarial loss	3,535	5,647
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	3,031	8,953
Difference between actual and expected return on plan assets	2,961	(1,494)
Difference between actuarial loss recognized for year and actual actuarial loss on accrued benefit obligation for year	(2,472)	(4,974)
Defined benefit pension expense	3,520	2,485
Defined contribution pension expense	14,649	13,506
Net pension expense	**$ 18,169**	**$ 15,991**

	2010	2009
Significant assumptions at December 31		
Discount rate	5.5%	6.0%
Rate of compensation increase	4.5%	4.5%
Long-term rate of return on assets	5.9%	5.9%

(e) Other Post-Retirement Benefit Expense

	2010	2009
Current service cost	$ 553	$ 435
Interest cost	664	730
Actuarial loss (gain)	720	(442)
Other post-retirement benefit expense	**$ 1,937**	**$ 723**

	2010	2009
Significant assumptions at December 31		
Discount rate	5.5%	6.0%
Health care cost trend rate	9.0%	9.0%

(f) Pension and Other Post-Retirement Benefits Cash Payments

	2010	2009
Employer contributions to funded pension plans	$ 1,158	$ 5,335
Benefits paid for unfunded benefit plans	640	585
Cash contributions to defined contribution plans	14,649	13,506
Total cash payments for employee future benefits	**$ 16,447**	**$ 19,426**

Benefits paid by the funded pension plan were $1,971,000 for 2010 (2009 — $707,000). Cameco's expected contributions for the year ended December 31, 2011 are approximately $252,044 for the pension benefit plans.

The following are estimated future benefit payments, which reflect expected future service:

	Pension Benefit Plans	Other Benefit Plans
2011	$ 8,376	$ 699
2012	1,421	736
2013	1,471	815
2014	1,546	822
2015	1,854	806
2016 to 2020	10,683	4,294

BPLP

BPLP has a funded registered pension plan and an unfunded supplemental pension plan. The funded plan is a contributory, defined benefit plan covering all employees up to the limits imposed by the Income Tax Act. The supplemental pension plan is a non-contributory, defined benefit plan covering all employees with respect to benefits that exceed the limits under the Income Tax Act. These plans are based on years of service and final average salary.

BPLP also has other post-retirement benefit and other post-employment benefit plans that provide for group life insurance, health care and long-term disability benefits. These plans are non-contributory.

The effective date for the most recent valuations for funding purposes on the pension benefit plans is January 1, 2010. The next planned effective date for valuation for funding purposes of the pension benefit plans is set to be January 1, 2011. The status of Cameco's proportionate share (31.6%) of the defined plans is as follows:

(a) Accrued Benefit Obligation

	Pension Benefit Plans		Other Benefit Plans	
	2010	2009	2010	2009
Balance at beginning of year	$711,636	$617,259	$151,826	$112,355
Current service cost	18,329	14,944	7,422	4,910
Interest cost	42,478	41,061	8,960	7,284
Actuarial loss	139,143	65,018	17,291	31,127
Plan participants' contributions	6,630	6,244	—	—
Benefits paid	(30,797)	(32,890)	(4,488)	(3,850)
	$887,419	**$711,636**	**$181,011**	**$151,826**

(b) Plan Assets

	Pension Benefit Plans	
	2010	2009
Fair value at beginning of year	$635,293	$546,755
Actual return on plan assets	55,288	65,486
Employer contributions	50,906	49,698
Plan participants' contributions	6,630	6,244
Benefits paid	(30,797)	(32,890)
Fair value at end of year	**$717,320**	**$635,293**

Plan assets consist of:

	Asset Allocation		Target Allocation	
	2010	2009	2010	2009
Asset Category (i)				
Equity securities	59%	60%	60%	60%
Fixed income	39%	38%	40%	40%
Cash	2%	2%	—	—
Total	**100%**	**100%**	**100%**	**100%**

The assets of the pension plan are managed on a going concern basis subject to legislative restrictions. The plan's investment policy is to maximize returns within an acceptable risk tolerance. Pension assets are invested in a diversified manner with consideration given to the demographics of the plan participants. Rebalancing will take place on a monthly basis if outside of 3% of the target asset allocation.

(i) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2010.

(c) Funded Status Reconciliation

	Pension Benefit Plans		Other Benefit Plans	
	2010	2009	2010	2009
Fair value of plan assets	$ 717,320	$635,293	$ —	$ —
Accrued benefit obligation	887,419	711,636	181,011	151,826
Funded status of plans — deficit	(170,099)	(76,343)	(181,011)	(151,826)
Unrecognized prior service cost	—	—	1,981	2,431
Unamortized net actuarial loss	237,668	112,956	40,497	23,993
Accrued benefit asset (liability)	**$ 67,569**	**$ 36,613**	**$(138,533)**	**$(125,402)**
Amounts included in:				
Long-term receivables, investments and other [note 9]	88,268	54,864	—	—
Other liabilities [note 13]	(20,699)	(18,251)	(138,533)	(125,402)
Accrued benefit asset (liability)	**$ 67,569**	**$ 36,613**	**$(138,533)**	**$(125,402)**

(d) Net Pension Expense

	2010	2009
Current service cost	$ 18,329	$ 14,944
Interest cost	42,478	41,061
Actual return on plan assets	(55,288)	(65,486)
Actuarial loss	139,143	65,018
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	144,662	55,537
Difference between actual and expected return on plan assets	10,798	27,286
Difference between actuarial loss recognized and actual actuarial loss on accrued benefit obligation for year	(135,509)	(63,678)
Net pension expense	**$ 19,951**	**$ 19,145**

	2010	2009
Significant assumptions at December 31		
Discount rate	5.3%	6.0%
Rate of compensation increase	3.5%	5.5%
Long-term rate of return on assets	7.0%	7.0%

(e) Other Benefit Plans Expense

	2010	2009
Current service cost	$ 7,422	$ 4,910
Interest cost	8,960	7,284
Actuarial loss	17,291	31,127
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	33,673	43,321
Difference between amortization of past service costs and actual plan amendments for year	450	450
Difference between actuarial loss (gain) recognized and actual actuarial loss on accrued benefit obligation for year	(16,504)	(31,556)
Other benefit plans expense	**$ 17,619**	**$ 12,215**

	2010	2009
Significant assumptions at December 31		
Discount rate	5.1%	5.8%
Rate of compensation increase	3.5%	3.5%
Initial health care cost trend rate	9.5%	10.0%
Cost trend rate declines to	5.0%	5.0%
Year the rate reaches its final level	2019	2019

(f) Pension and Other Post-Retirement Benefits Cash Payments

	2010	2009
Employer contributions to funded pension plans	$ 49,938	$ 45,890
Benefits paid for unfunded benefit plans	4,814	4,209
Total cash payments for employee future benefits	**$ 54,752**	**$ 50,099**

Benefits paid by the funded pension plan were $30,472,000 for 2010 (2009 — $32,531,000). BPLP's expected contributions for the year ended December 31, 2011 are approximately $86,148,000 for the pension benefit plans.

The following are estimated future benefit payments, which reflect expected future service:

	Pension Benefit Plans	Other Benefit Plans
2011	$ 39,637	$ 5,473
2012	43,334	6,013
2013	47,201	6,575
2014	51,134	7,117
2015	54,858	7,613
2016 to 2020	330,163	46,407

24. Restructuring of the Gold Business

The assets and liabilities related to discontinued operations have been reclassified as assets or liabilities of discontinued operations on the consolidated balance sheets. Operating results related to the discontinued operations have been included in earnings from discontinued operations on the consolidated statements of earnings. Comparative period balances have been restated.

(a) Sale of Centerra Gold Inc. (Centerra)

On December 30, 2009, Cameco completed a public offering of 88,618,472 common shares of Centerra for net proceeds of approximately $871,000,000 and recorded a net gain of $374,000,000. Concurrent with this offering, Cameco transferred an additional 25,300,000 common shares of Centerra to Kyrgyzaltyn pursuant to the agreement that Cameco entered into with the Government of the Kyrgyz Republic on April 24, 2009. As a result of the closing of the public offering, and the transfer of the Centerra common shares to Kyrgyzaltyn, Cameco has disposed of its entire interest in Centerra.

(b) Kyrgyz Share Transfer

In 2007, the Parliament of the Kyrgyz Republic challenged the legal validity of Kumtor Gold Company (Kumtor) agreements with the Kyrgyz Republic. As a result, Cameco and Centerra entered into discussions with Kyrgyzaltyn, culminating in the signing of two agreements in August 2007 providing for the transfer of a certain number of Centerra shares to Kyrgyzaltyn, subject to certain conditions. These agreements, however, were never ratified by the Kyrgyz parliament.

On April 24, 2009, Cameco, Centerra, the Kyrgyz government and other parties signed a new agreement to resolve all the issues related to the Kumtor mine. On April 30, 2009, the Kyrgyz parliament ratified the agreement and enacted legislation authorizing implementation of the agreement. On June 11, 2009, closing occurred and Centerra issued 18,232,615 treasury shares to Kyrgyzaltyn and Cameco transferred 25,300,000 shares of its 113,918,000 Centerra common shares to a custodian, to be held in escrow, for ultimate release to Kyrgyzaltyn, subject to certain conditions. Cameco retained its voting rights over these shares while they were held in escrow. As a result of the public offering concluded on December 30, 2009, Cameco released the shares held in escrow to Kyrgyzaltyn.

The total amount of the after-tax loss related to this agreement is $179,000,000, of which an expense of $46,000,000 was recorded in 2009, a recovery of $20,000,000 in 2008 and an expense of $153,000,000 in 2007.

(c) Financial Results of Discontinued Operations

The results of the operations of Centerra are presented under “discontinued operations” on the consolidated statements of earnings. The following table presents the components of the discontinued operations amounts, net of future income tax expenses [note 18]:

(Millions)	2010	2009
Sale of Centerra	—	$ 374.2
Kyrgyz share transfer	—	(45.9)
Operating earnings	—	54.1
Earnings from discontinued operations	—	$ 382.4

The following table presents the components of the operating results of Centerra:

(Millions)	2010	2009
Revenue	—	$ 770.2
Expenses		
Products and services sold	—	440.4
Depreciation, depletion and reclamation	—	122.4
Exploration	—	28.5
Other	—	37.3
Earnings before income taxes and minority interest	—	141.6
Income tax expense	—	33.4
Minority interest	—	54.1
Operating earnings	—	$ 54.1

25. Commitments and Contingencies

(a) On February 12, 2004, Cameco, Cameco Bruce Holdings II Inc., BPC Generation Infrastructure Trust and TransCanada Pipelines Limited (collectively, the "Consortium") sent a notice of claim to British Energy Limited and British Energy International Holdings Limited (collectively, BE) requesting, amongst other things, indemnification for breach of a representation and warranty contained in the February 14, 2003, Amended and Restated Master Purchase Agreement. The alleged breach is that the Unit 8 steam generators were not "in good condition, repair and proper working order, having regard to their use and age." This defect was discovered during a planned outage conducted just after closing. As a result of this defect, the planned outage had to be significantly extended. The Consortium has claimed damages in the amount of $64,558,200 being 79.8% of the $80,900,000 of damages actually incurred, plus an unspecified amount to take into account the reduced operating life of the steam generators. By agreement of the parties, an arbitrator has been appointed to arbitrate the claims and a schedule has been set for the next steps in the proceeding.

The Consortium served its claim on October 21, 2008, and has amended it as required, most recently on August 7, 2009. BE served its answer and counter-statement on December 22, 2008, most recently amended on March 25, 2010, and the Consortium served its reply and answer to counter-statement on January 22, 2009, most recently amended on August 7, 2009.

The Unit 8 steam generators require on-going monitoring and maintenance as a result of the defect. In addition to the $64,558,200 in damages sought in the notice of claim, the claim seeks an additional $4,900,000 spent on inspection, monitoring and maintenance of Unit 8, and $31,900,000 in costs for future monitoring and maintenance, as well as repair costs and lost revenue due to anticipated unplanned outages as a consequence of the defect in Unit 8. The initial claim had also sought damages for the early replacement of the Unit 8 steam generators due to the defect shortening their useful operating lives. However, recent inspection data and analysis of the condition of the Unit 8 steam generators now indicates that they will continue to function until the end of the Consortium's lease of the Bruce Power facility in 2018, as was expected at the time the MPA was entered into. The claim for early replacement was thus abandoned via an amendment to the claim on August 7, 2009. The arbitration hearing was completed on November 23, 2010 and final oral arguments are scheduled for June 1, 2011.

In anticipation of this claim, BE issued on February 10, 2006, and then served on Ontario Power Generation Inc. (OPG) and Bruce Power LP a Statement of Claim. This Statement of Claim seeks damages for any amounts that BE is found liable to pay to the Consortium in connection with the Unit 8 steam generator arbitration described above, damages in the amount of $500,000,000, costs and pre and post judgment interest amongst other things. Further proceedings in this action are on hold pending completion of the arbitration hearing.

(b) Annual supplemental rents of $30,000,000 (subject to CPI) per operating reactor are payable by BPLP to OPG. Should the hourly annual average price of electricity in Ontario fall below $30 per megawatt hour, the supplemental rent reduces to $12,000,000 per operating reactor. In accordance with the Sublease Agreement, Bruce A L.P. will participate in its share of any adjustments to the supplemental rent.

(c) Cameco, TransCanada and BPC have assumed the obligations to provide financial guarantees on behalf of BPLP. Cameco has provided the following financial assurances, with varying terms that range from 2011 to 2018:

i) Guarantees to customers under power sales agreements of up to $35,300,000. At December 31, 2010, Cameco's actual exposure under these guarantees was $24,000,000.

ii) Termination payments to OPG pursuant to the lease agreement of $58,300,000. The fair value of these guarantees is nominal.

(d) Under a supply contract with the Ontario Power Authority (OPA), BPLP is entitled to receive payments from the OPA during periods when the market price for electricity in Ontario is lower than the floor price defined under the agreement during a calendar year. On July 6, 2009, BPLP and the OPA amended the supply contract such that beginning in 2009, the annual payments received will not be subject to repayment in future years. Previously, the payments received under the agreement were subject to repayment during the entire term of the contract, dependent on the spot price in future periods. BPLP's entitlement to receive these payments remains in effect until December 31, 2019 but the generation that is subject to these payments starts to decrease in 2016, reflecting the original estimated lives for the Bruce B units. During 2010, BPLP recorded $339,000,000 under this agreement which was recognized as revenue with Cameco's share being $107,000,000. Of the amount recorded, BPLP currently expects to repay $4,000,000.

(e) Cameco's North American workforce includes about 3,300 employees, of which approximately 900 (27%) belong to three separate labour unions.

(f) At December 31, 2010, Cameco's purchase commitments, the majority of which are fixed price uranium and conversion purchase arrangements, were as follows:

	(Millions (US))
2011	$ 267
2012	226
2013	397
2014	114
2015	60
Thereafter	6
Total	**$ 1,070**

26. Financial Instruments

The majority of revenues at Cameco are derived from the sale of uranium products, and electricity through its investment in BPLP. Cameco's uranium product financial results are closely related to the long and short-term market price of uranium sales and conversion services. Prices fluctuate and can be affected by demand for nuclear power, worldwide production and uranium levels, and political and economic conditions in uranium producing and consuming countries. BPLP's revenue from electricity is affected by changes in electricity prices associated with an open spot market for electricity in Ontario. Financial results for Cameco are also impacted by changes in foreign currency exchange rates and other operating risks. Finally, certain financial assets are subject to credit risks, including cash and securities, accounts receivable, and commodity and currency instruments.

To mitigate risks associated with certain financial assets, Cameco will hold positions with a variety of large creditworthy institutions. Sales of uranium products, with short payment terms, are made to customers that management believes are creditworthy.

To mitigate risks associated with foreign currency on its sale of uranium products, Cameco enters into forward sales contracts to establish a price for future delivery of the foreign currency.

Cameco is exposed to interest rate risk through its interest rate swap contracts whereby fixed rate payments on a notional amount of $135,000,000 of the Series C senior unsecured debentures were swapped for variable rate payments. The swaps terminate on March 16, 2015. Under the terms of the swaps, Cameco makes interest payments based on three-month bankers acceptance rate plus an average margin of 1.81% and receives fixed interest payments of 4.7%. To mitigate this risk, Cameco entered into interest rate cap arrangements, effective March 18, 2013, whereby the three-month bankers acceptance rate was capped at 5.0% such that total variable payments will not exceed, on average 6.81%. At December 31, 2010, the mark-to-market gain on Cameco's interest rate swaps and caps less premiums paid was $1,458,000.

To mitigate risks associated with the fluctuations in the market price for uranium products, Cameco seeks to maintain a portfolio of uranium product sales contracts with a variety of delivery dates and pricing mechanisms that provide a degree of protection from price volatility. To mitigate risks associated with the fluctuations in the market price for electricity, BPLP enters into various energy and sales related contracts that qualify as cash flow hedges. These instruments have terms ranging from 2011 to 2016. At December 31, 2010, the mark-to-market gain on BPLP's sales contracts was $29,000,000.

All financial instruments measured at fair value 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 measurement 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 measure in its entirety.

Except as otherwise disclosed, the fair market value of Cameco's financial assets and liabilities approximates the carrying amount as a result of the short-term nature of the instruments, or the variable interest rate associated with the instruments, or the fixed interest rate of the instruments being similar to market rates.

The fair values of Cameco's privately held available-for-sale securities, as described in note 9, have not been disclosed because of the unavailability of a quoted market price in an active market. Cameco does not currently have plans to dispose of any of these investments.

The following tables present Cameco's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis.

As at December 31, 2010

Description	Total	Level 1	Level 2	Level 3
Derivative instrument assets	$127,842	$ —	$122,786	$ 5,056
Available-for-sale securities [notes 5, 9]	889,065	889,065	—	—
Derivative instrument liabilities	(35,227)	—	(35,227)	—
Net	**$981,680**	**$889,065**	**$ 87,559**	**$ 5,056**

As at December 31, 2009

Description	Total	Level 1	Level 2	Level 3
Derivative instrument assets	$210,381	$ —	$197,381	$13,000
Available-for-sale securities [notes 5, 9]	207,473	207,473	—	—
Derivative instrument liabilities	(40,957)	—	(39,957)	(1,000)
Net	**$376,897**	**$207,473**	**$157,424**	**$12,000**

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. Fair values of identical instruments traded in active markets are determined by reference to last quoted prices, in the most advantageous active market for that instrument. In the absence of an active market, we determine fair values based on quoted prices for instruments with similar characteristics and risk profiles. Fair values of financial instruments determined using valuation models require the use of inputs. In determining those inputs, we look primarily to external, readily observable market inputs, when available, including factors such as interest rate yield curves, currency rates, and price and rate volatilities, as applicable. In some circumstances, we use input parameters that are not based on observable market data. In these cases, we may adjust model values to reflect the valuation uncertainty in order to determine what the fair value would be based on the assumptions that market participants would use in pricing the financial instrument. These adjustments are made in order to determine the fair value of the instruments.

We make valuation adjustments for the credit risk of our derivative portfolios in order to arrive at their fair values. These adjustments take into account the creditworthiness of our counterparties.

Equity-accounted investments and financial instruments classified as available-for-sale comprise actively traded debt and equity securities and are carried at fair value based on available quoted prices.

There were no significant transfers between level 1 and level 2 of the fair value hierarchy. Transfers into level 3 are comprised of BPLP derivative financial instruments with contract terms extending beyond 36 months. Due to the decline in electricity prices as a result of the recession, the liquidity in the market has been significantly reduced, resulting in a lack of an active market and observable market inputs beyond 36 months.

Derivatives

The following tables summarize the fair value of derivatives and classification on the balance sheet:

As at December 31, 2010

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives — sales contracts	$ (3,864)	$ 18,877	$ 15,013
Foreign currency contracts	47,144	—	47,144
Interest rate contracts	1,458	—	1,458
Cash flow hedges:			
Energy and sales contracts	—	29,000	29,000
Net	**$ 44,738**	**$ 47,877**	**$ 92,615**
Classification:			
Current portion of long-term receivables, investments and other [note 9]	$ 46,629	$ 44,505	$ 91,134
Long-term receivables, investments and other [note 9]	3,382	33,326	36,708
Current portion of other liabilities [note 13]	(377)	(20,662)	(21,039)
Other liabilities [note 13]	(4,896)	(9,292)	(14,188)
Net	**$ 44,738**	**$ 47,877**	**$ 92,615**

As at December 31, 2009

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives — sales contracts	$ (2,736)	$ 9,082	$ 6,346
Foreign currency contracts	67,031	—	67,031
Cash flow hedges:			
Energy and sales contracts	—	96,047	96,047
Net	**$ 64,295**	**$ 105,129**	**$ 169,424**
Classification:			
Current portion of long-term receivables, investments and other [note 9]	$ 66,972	$ 87,439	$ 154,411
Long-term receivables, investments and other [note 9]	1,460	54,510	55,970
Current portion of other liabilities [note 13]	(445)	(19,595)	(20,040)
Other liabilities [note 13]	(3,692)	(17,225)	(20,917)
Net	**$ 64,295**	**$ 105,129**	**$ 169,424**

The following tables summarize different components of the (gains) and losses on derivatives:

For the year ended December 31, 2010

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives — sales contracts	$ 1,623	$ 2,785	$ 4,408
Foreign currency contracts	(80,107)	—	(80,107)
Interest rate contracts	(2,482)	—	(2,482)
Cash flow hedges:			
Energy and sales contracts	—	2,998	2,998
Net	**$(80,966)**	**$ 5,783**	**$(75,183)**

For the year ended December 31, 2009

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives — sales contracts	$ (4,764)	$ (4,737)	$ (9,501)
Foreign currency contracts	(234,066)	—	(234,066)
Interest rate contracts	401	—	401
Cash flow hedges:			
Energy and sales contracts	—	(638)	(638)
Net	**$(238,429)**	**$ (5,375)**	**$(243,804)**

Over the next 12 months, based on current exchange rates, Cameco expects an estimated $5,573,000 of pre-tax gains from the foreign currency cash flow hedges to be reclassified through other comprehensive income to net earnings. The maximum length of time Cameco hedges its exposure to the variability in future cash flows related to foreign currency on anticipated transactions is five years.

Over the next 12 months, based on current prices, Cameco expects an estimated $18,012,000 of pre-tax gains from BPLP's various energy and sales related cash flow hedges to be reclassified through other comprehensive income to net earnings. The maximum length of time BPLP is hedging its exposure to the variability in future cash flows related to electricity prices on anticipated transactions is six years.

Currency

At December 31, 2010, Cameco had $1,317,500,000 (US) in forward contracts at an average exchange rate of $1.03 and €93,000,000 at an average exchange rate of $1.35. The foreign currency contracts are scheduled for use as follows:

(Millions)	US	Rate	Cdn	Euro	Rate	US
2011	$ 890	1.03	$ 917	€ 45	1.35	$ 61
2012	363	1.04	378	46	1.35	62
2013	65	1.03	67	—	—	—
Thereafter	—	—	—	2	1.34	3
Total	**$ 1,318**	**1.03**	**$ 1,362**	**€ 93**	**1.35**	**$ 126**

These positions consist entirely of forward sales contracts. The average exchange rate reflects the current forward contract price. Of these amounts, $1,252,500,000 of the US-denominated contracts and $93,000,000 of the Euro-denominated contracts mature in 2011. The remaining $65,000,000 in US-denominated contracts matures in 2012.

27. Per Share Amounts

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the year. The weighted average number of paid shares outstanding in 2010 was 393,168,523 (2009 — 387,955,503).

	2010	2009
Basic earnings per share computation		
Net earnings	$514,749	$1,099,422
Weighted average common shares outstanding	393,169	387,956
Basic earnings per common share	**$ 1.31**	**$ 2.83**
Diluted earnings per share computation		
Net earnings	$514,749	$1,099,422
Weighted average common shares outstanding	393,169	387,956
Dilutive effect of stock options	1,850	1,977
Weighted average common shares outstanding, assuming dilution	395,019	389,933
Diluted earnings per common share	**$ 1.30**	**$ 2.82**

28. Segmented Information

Cameco has three reportable segments: uranium, fuel services and electricity. 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. The electricity segment involves the generation and sale of electricity.

Cameco's reportable segments are strategic business units with different products, processes and marketing strategies.

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies.

(a) Business Segments

2010

(Millions)	Uranium	Fuel Services	Electricity	Inter-Segment	Total
Revenue	$1,373.7	$ 300.6	$ 476.7	$ (27.3)	$2,123.7
Expenses					
Products and services sold	698.5	213.6	246.4	(30.6)	1,127.9
Depreciation, depletion and reclamation	171.8	26.9	52.5	0.3	251.5
Exploration	95.8	—	—	—	95.8
Other	(2.8)	14.3	—	—	11.5
Cigar Lake remediation	16.6	—	—	—	16.6
Loss on sale of assets	0.1	—	—	—	0.1
Non-segmented expenses					88.7
					.
Earnings before income taxes and minority interest	**393.7**	**45.8**	**177.8**	**3.0**	**531.6**
Income tax expense					27.3
Minority interest					(10.4)
Net earnings					**$ 514.7**
Assets	**$6,317.4**	**$ 395.9**	**$ 863.8**	**$ —**	**$7,577.1**
Intangibles	**$ —**	**$ 94.3**	**$ —**	**$ —**	**$ 94.3**
Capital expenditures for the year	**$ 415.2**	**$ 20.2**	**$ 34.9**	**$ —**	**$ 470.3**

2009

(Millions)	Uranium	Fuel Services	Electricity	Inter-Segment	Total
Revenue	$1,551.3	$ 276.3	$ 518.3	$ (30.9)	$2,315.0
Expenses					
Products and services sold	901.4	203.9	243.5	(24.5)	1,324.3
Depreciation, depletion and reclamation	161.9	22.8	55.6	0.3	240.6
Exploration	49.1	—	—	—	49.1
Other	15.9	21.3	—	—	37.2
Cigar Lake remediation	17.9	—	—	—	17.9
Gain on sale of assets	(0.6)	—	—	—	(0.6)
Non-segmented expenses					(120.4)
Earnings (loss) before income taxes and minority interest	**405.7**	**28.3**	**219.2**	**(6.7)**	**766.9**
Income tax expense					52.9
Minority interest					(3.0)
Net earnings from continuing operations					**$ 717.0**
Assets	**$5,989.7**	**$ 383.9**	**$ 922.6**	**$ —**	**$7,296.2**
Intangibles	**$ —**	**$ 97.7**	**$ —**	**$ —**	**$ 97.7**
Capital expenditures for the year	**$ 333.3**	**$ 20.7**	**$ 38.7**	**$ —**	**$ 392.7**

(b) Geographic Segments

(Millions)	2010	2009
Revenue from products and services		
Canada — domestic	$ 689.0	$ 739.2
— export	102.9	194.9
United States	1,331.8	1,380.9
	$2,123.7	**$2,315.0**
Assets		
Canada	$5,819.8	$5,774.5
United States	670.77	695.9
Australia	607.9	553.1
Europe	342.8	139.0
Kazakhstan	230.1	231.4
	$7,671.4	**$7,393.9**

(c) Major Customers

Cameco relies on a small number of customers to purchase a significant portion of its uranium concentrates and uranium conversion services. During 2010, revenues from one customer of Cameco's uranium and fuel services segments represented approximately $125,657,000 (2009 — $252,699,000), about 8% (2009 — 14%) of Cameco's total revenues from these segments. As customers are relatively few in number, accounts receivable from any individual customer may periodically exceed 10% of accounts receivable depending on delivery schedules.

During 2010, electricity revenues from one customer of BPLP represented approximately 7% (2009 — 5%) of BPLP's total revenues.

29. Talvivaara Agreement

On February 7, 2011, Cameco signed two agreements with Talvivaara Mining Company Plc. to buy uranium produced at the Sotkamo nickel-zinc mine in Finland. Under the first agreement with Talvivaara, Cameco will provide an up-front payment, to a maximum of $60,000,000 (US) to cover certain construction costs. This amount will be repaid through deliveries of uranium concentrate. Once the full amount has been repaid, Cameco will continue to purchase the uranium concentrates produced at the Sotkamo mine through a second agreement which provides for the purchase of uranium using a pricing formula that references market prices at the time of delivery. The second agreement expires on December 31, 2027.

30. Related Party Transactions

Cameco purchases a significant amount of goods and services for its Saskatchewan mining operations from northern Saskatchewan suppliers to support economic development in the region. One such supplier is Points Athabasca Contracting Ltd. and the president of the company became a member of the board of directors of Cameco during 2009. In 2010, Cameco paid Points Athabasca Contracting Ltd. $38,000,000 (2009 — $30,800,000) for construction and contracting services. The transactions were conducted in the normal course of business and were accounted for at the exchange amount. Accounts payable include a balance of $2,290,000 (2009 — $230,000) resulting from these transactions.

31. Comparative Figures

Certain prior year balances have been reclassified to conform to the current financial statement presentation.

EXHIBIT 99.3

Cameco Corporation

2010 Management's Discussion and Analysis

February 14, 2011

Cameco

Management's discussion and analysis

February 14, 2011

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

Management's discussion and analysis

This management's discussion and analysis (MD&A) includes information that will help you understand management's perspective of our audited consolidated financial statements and notes for the year ended December 31, 2010. The information is based on what we knew as of February 11, 2011.

We encourage you to read our audited consolidated financial statements and notes as you review this 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, on SEDAR at sedar.com or on EDGAR at sec.gov. You should also read our annual information form before making an investment decision about our securities.

Unless we have specified otherwise, all dollar amounts are in Canadian dollars. The financial information in this MD&A and in our financial statements and notes are prepared according to Canadian generally accepted accounting principles (Canadian GAAP), unless otherwise indicated. We also prepared a reconciliation of our annual financial statements to US GAAP, which has been filed with securities regulatory authorities. We present our mineral reserve and resource estimates as required by Canadian securities law. See *Important information for US investors* on page 85.

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 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: believe, estimate, anticipate, expect, plan, intend, predict, goal, target, project, potential, strategy and outlook (see examples on page 2).
- It represents our current views, and can change significantly.
- It is based on a number of *material assumptions,* including those we've listed below, 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, 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 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

- our expectations about future worldwide uranium supply and demand
- spot prices in 2011 are expected to be volatile
- our goal for doubling annual production by 2018 to 40 million pounds and our expectation that existing cash balances and operating cash flows will meet anticipated capital requirements without the need for any significant additional financing to reach this goal
- our 2011 objectives
- the outlook for each of our operating segments for 2011, and our consolidated outlook for the year
- our expectation that we will invest significantly in expanding production at our existing mines and advancing projects as we pursue our growth strategy
- our expectation that cash balances will decline gradually as we use the funds in our business and to pursue our growth plans
- our expectation that for the next several years our capital expenditures will be similar to 2011
- our expectation that our operating and investment activities in 2011 will not be constrained by the financial covenants in our general credit facilities
- our uranium price sensitivity analysis
- forecast production at our uranium operations from 2011 to 2015
- our expectation that Inkai will receive all the necessary approvals and permits to meet its 2011 and future annual production targets
- the likely terms and volumes to be covered by long-term delivery contracts that we enter into in 2011 and in future years
- future production at our fuel services operations
- future royalty and tax payments and rates
- our future plans for each of our uranium operating properties, development projects and projects under evaluation, and fuel services operating sites
- our mid-2013 target for initial production from Cigar Lake, the expected benefits of our surface freeze strategy and our 2011 Cigar Lake plans
- our mineral reserve and resource estimates
- the discussion of the expected impact of International Financial Reporting Standards (IFRS) on our financial statements, internal control over financial reporting and disclosure controls and procedures, our business activities in general, and our estimate of IFRS opening statement of financial position and interim period financial results

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 or loss of market share to a competitor
- we are adversely affected by changes in foreign currency exchange rates, interest rates or tax rates
- production costs are higher than planned, or necessary supplies are not available, or not available on commercially reasonable terms
- our estimates of production, purchases, costs, decommissioning or reclamation expenses, or our tax expense estimates, prove to be inaccurate
- we are unable to enforce our legal rights under our existing agreements, permits or licences, or are subject to litigation or arbitration that has an adverse outcome
- there are defects in, or challenges to, title to our properties
- our mineral reserve and resource estimates are inaccurate, or we face unexpected or challenging geological, hydrological or mining conditions
- we are affected by environmental, safety and regulatory risks, including increased regulatory burdens or delays
- we cannot obtain or maintain necessary permits or approvals from government authorities
- we are affected by political risks in a developing country where we operate
- we are affected by terrorism, sabotage, blockades, accident or a deterioration in political support for, or demand for, nuclear energy
- there are changes to government regulations or policies, including tax and trade laws and policies
- our uranium and conversion suppliers fail to fulfil delivery commitments
- delay or lack of success in remediating and developing Cigar Lake
- 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 customers' facilities, the unavailability of reagents, equipment, operating parts and supplies critical to production, lack of tailings capacity, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave ins, tailings dam failures, and other development and operating risks

- new IFRS standards or changes in the standards or their interpretation

Material assumptions

- sales and purchase volumes and prices for uranium, fuel services and electricity
- expected production costs
- expected spot prices and realized prices for uranium, and other factors discussed on page 43, *Price sensitivity analysis: uranium*
- tax rates, foreign currency exchange rates and interest rates
- decommissioning and reclamation expenses
- mineral reserve and resource estimates
- the geological, hydrological and other conditions at our mines
- our Cigar Lake remediation and development plans succeed
- our ability to continue to supply our products and services in the expected quantities and at the expected times
- our ability to comply with current and future environmental, safety and other regulatory requirements, and to obtain and maintain required regulatory approvals
- our operations are not significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, breakdown, natural disasters, 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, tailings dam failure, lack of tailings capacity, or other development or operating risks
- our IFRS related forecasts are not significantly impacted by new IFRS standards or changes in the standards or their interpretation or changes in our policy choices

2010 Highlights

Cameco is well positioned as the world becomes increasingly focused on nuclear as a source of clean, reliable and affordable energy. We are among the world's largest uranium producers, in a market where demand is growing, and a pure-play nuclear energy investment.

Our vision is to be a dominant nuclear energy company producing uranium fuel and generating clean electricity.

We have long-term objectives for each of our three business segments:

- *uranium* — double our annual production to 40 million pounds by 2018 from existing assets
- *fuel services* — invest in our fuel services business to support our overall growth in the nuclear business
- *electricity* — maintain steady cash flow while looking at options to extend the operating life of the four Bruce B units

We made excellent progress this year at our operations and on our projects.

Strong financial performance

Net earnings in 2010 were $515 million. Last year, net earnings were higher by $584 million, due mainly to the one time gain on the sale of our interest in Centerra Gold Inc. (Centerra) and higher unrealized gains on financial instruments. Revenue was in line with our guidance, and uranium unit costs were 7% lower than in 2009. We ended the year with $1.3 billion cash on hand. We intend to use these funds to advance our growth strategy.

Highlights
December 31

($ millions except where indicated)			2010	2009	change
Revenue			**2,124**	2,315	(8)%
Gross profit			**744**	750	(1)%
Net earnings			**515**	1,099	(53)%
$ per common share (diluted)			**1.30**	2.82	(54)%
Adjusted net earnings (non-GAAP, see page 29)			**496**	528	(6)%
$ per common share (adjusted and diluted)			**1.25**	1.35	(7)%
Cash provided by operations (after working capital changes)			**507**	690	(27)%
Average realized prices		$US/lb	**43.63**	38.25	14%
	Uranium	$Cdn/lb	**45.81**	45.12	2%
	Fuel services	$Cdn/kgU	**16.86**	17.84	(5)%
	Electricity	$Cdn/MWh	**58**	64	(9)%

Shares and stock options outstanding

At February 10, 2011, we had:

- 394,435,383 common shares and one Class B share outstanding
- 7,432,998 stock options outstanding, with exercise prices ranging from $5.88 to $46.88

Dividend policy

Our board of directors has established a policy of paying a quarterly dividend of $0.10 ($0.40 per year) per common share. This policy will be reviewed from time to time based on our cash flow, earnings, financial position, strategy and other relevant factors.

Excellent progress this year

In our uranium segment this year, production was 10% higher than 2009 and 6% higher than our plan at the beginning of 2010. We had a number of successes at our mining operations. Key highlights:

- Achieved the best safety performance in our history, exceeding 2009's award winning performance.
- Received approval for production flexibility at McArthur River, which allowed us to exceed our production target by 6%.
- Extended Rabbit Lake's expected mine life by two years to 2017.
- Continued to ramp up production at Inkai and exceeded 2009 production by 136%.
- Finished dewatering the underground development at Cigar Lake, substantially completed securing the underground development areas and began implementing a surface freeze strategy we expect will provide a number of benefits. You can read more about this on page 73.

In our fuel services segment, production was 25% higher than 2009 due to the routine operation of the Port Hope UF 6 plant. In 2009, the plant was shut down for the first five months of the year.

In our electricity segment, Bruce Power Limited Partnership (BPLP) generated 25.9 terawatt hours (TWh) of electricity, at a capacity factor of 91%. Our share of earnings before taxes was $166 million.

Our investment in GE-Hitachi Global Laser Enrichment LLC (GLE) continues to progress. GLE successfully completed initial testing of its enrichment technology, which met key performance criteria. GLE is continuing its testing, and has begun engineering design work for a commercial facility. In addition, we have continued to work with GLE on potential customer contracts for the facility. The US Nuclear Regulatory Commission is assessing GLE's application for a commercial facility construction and operating licence.

We continued to advance our exploration activities, spending $11 million at five brownfield exploration projects, and $48 million for resource delineation at Kintyre and Inkai block 3. We spent about $37 million on regional exploration programs. Saskatchewan saw the most expenditures, followed by Australia, northern Canada, Asia, the US and South America.

Highlights		2010	2009	change
Uranium	Production volume (million lbs)	**22.8**	20.8	10%
	Sales volume (million lbs)	**29.6**	33.9	(13)%
	Revenue ($ millions)	**1,374**	1,551	(11)%
Fuel services	Production volume (million kgU)	**15.4**	12.3	25%
	Sales volume (million kgU)	**17.0**	14.9	14%
	Revenue ($ millions)	**301**	276	9%
Electricity	Output (100%) (TWh)	**25.9**	24.6	5%
	Revenue (100%)	**1,509**	1,640	(8)%
	Our share of earnings before taxes ($ millions)	**166**	224	(26)%

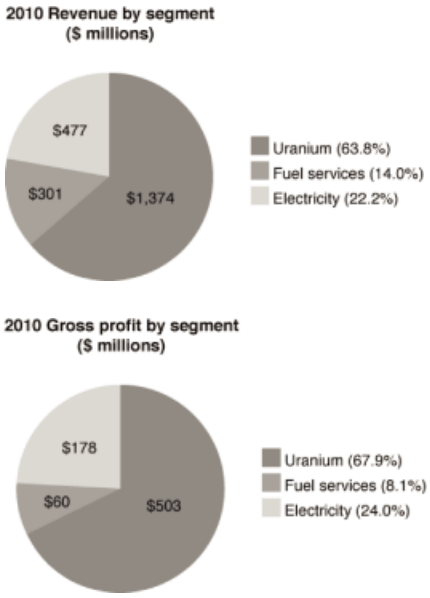
Key market facts

Demand for electricity is expected to nearly double from 2008 to 2035, driven mainly by growth in the developing world as it seeks to diversify sources of energy and provide security of supply.

- The world is increasingly recognizing the benefits of nuclear energy as it searches for alternatives to carbon-based electricity generation, and for energy diversification and security.
- At the start of 2011, there were 441 commercial nuclear power reactors operating in 30 countries, providing about 14% of the world's electricity.
- At the start of 2011, there were 65 reactors under construction and, by 2020, we estimate 104 new reactors (net) to come on line.
- Most of this new build is being driven by rapidly developing countries like China and India, which have severe energy deficits and want clean sources of electricity to improve their environment and sustain economic growth.
- Over the next decade, demand for uranium to fuel existing and new reactors, and build strategic inventories is expected to grow by an average of 2.5% per year.
- To meet global demand over the next 10 years, we expect 66% of uranium supply will come from mines that are currently in operation, 16% from finite sources of secondary supply (mainly Russian highly enriched uranium (HEU), government inventories and limited recycling), and 18% will have to come from new sources of supply.
- With uranium assets on three continents, including high-grade reserves and low-cost mining operations in Canada, and investments that cover the nuclear fuel cycle — we are ideally positioned to benefit from the world's growing need for clean, reliable energy.

About Cameco

Our head office is in Saskatoon, Saskatchewan. We are one of the world's largest uranium producers, with uranium assets on three continents. Nuclear energy plants around the world use our uranium products to generate one of the cleanest sources of electricity available today.



Uranium

We are one of the world's largest uranium producers, and in 2010 accounted for about 16% of the world's production. We have controlling ownership of the world's largest high-grade reserves, with ore grades up to 100 times the world average, and low-cost operations.

Product

- uranium concentrates (U_3O_8)

Mineral reserves and resources

Mineral reserves

- approximately 475 million pounds proven and probable

Mineral resources

- approximately 140 million pounds measured and indicated and 355 million pounds inferred

Global exploration

- focused on four continents

Operating properties

- McArthur River and Key Lake, Saskatchewan
- Rabbit Lake, Saskatchewan
- Smith Ranch-Highland, Wyoming
- Crow Butte, Nebraska
- Inkai, Kazakhstan

Development project

- Cigar Lake, Saskatchewan

Projects under evaluation

- Inkai blocks 1 and 2 production increase, Kazakhstan
- Inkai block 3, Kazakhstan
- McArthur River extension, Saskatchewan
- Kintyre, Australia
- Millennium, Saskatchewan

Fuel services

We are an integrated uranium fuel supplier, offering refining, conversion and fuel manufacturing services.

Products

- uranium trioxide (UO_3)
- uranium hexafluoride (UF_6)
  (control about 35% of western world capacity)
- uranium dioxide (UO_2)
  (the world's only commercial producer of natural UO_2)
- fuel bundles, reactor components and monitoring equipment used by Candu reactors

Operations

- Blind River refinery, Ontario
  (refines U_3O_8 to UO_3)
- Port Hope conversion facility, Ontario
  (converts UO_3 to UF_6 or UO_2)
- Cameco Fuel Manufacturing Inc., Ontario
  (manufactures fuel bundles and reactor components)
- a toll conversion agreement with Springfields Fuels Ltd. (SFL), Lancashire, United Kingdom (UK)
  (to convert UO_3 to UF_6 — expires in 2016)

We also have a 24% interest in GE-Hitachi Global Laser Enrichment LLC (GLE) in North Carolina, with General Electric (51%) and Hitachi Ltd. (25%). GLE is testing a third-generation technology that, if successful, will use lasers to commercially enrich uranium.

Electricity

We generate clean electricity through our 31.6% interest in the Bruce Power Limited Partnership (BPLP), which operates four nuclear reactors at the Bruce B generating station in southern Ontario.

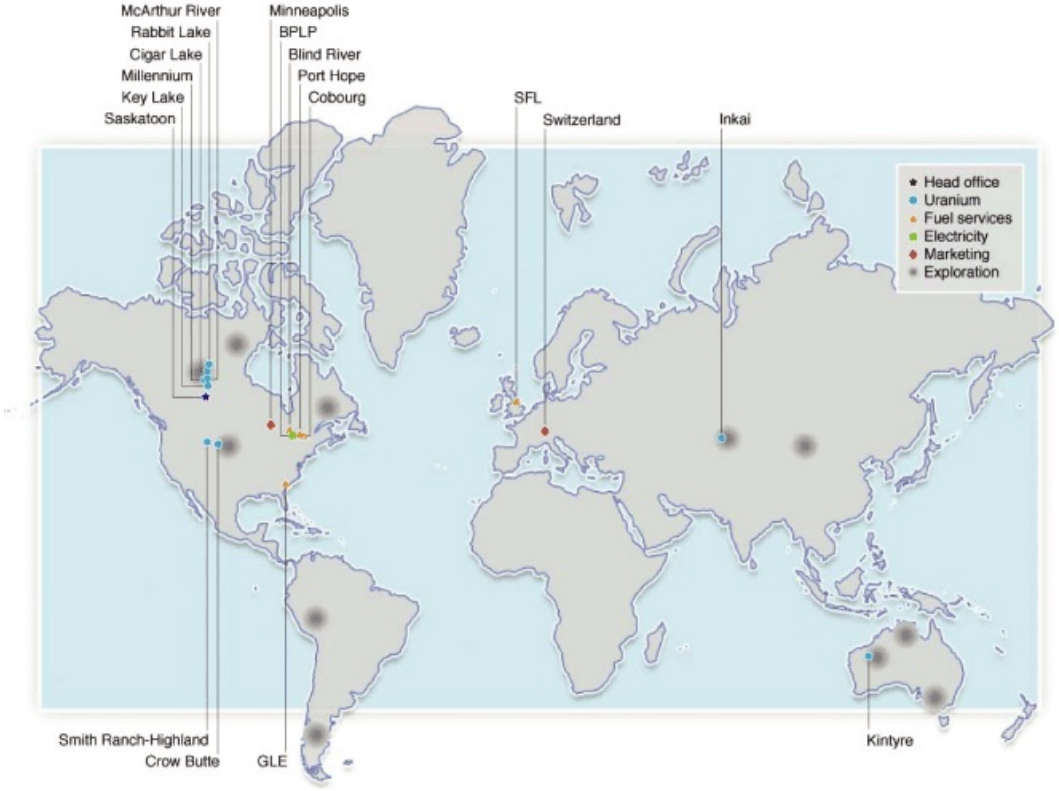
Capacity

- 3,260 megawatts (MW) (100% basis)
  (about 15% of Ontario's electricity)

We also have agreements to manage the procurement of fuel and fuel services for BPLP, including:

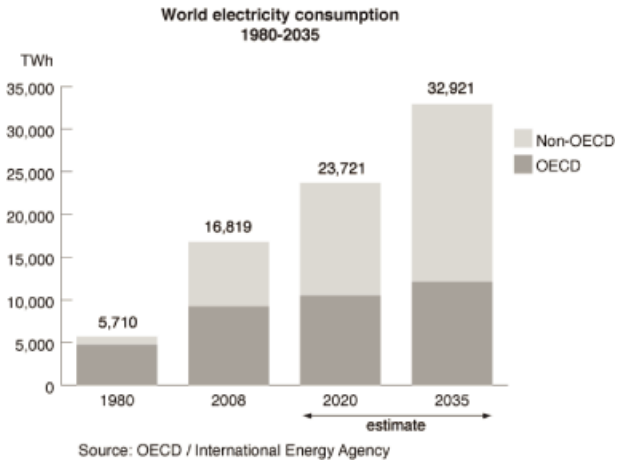
- uranium concentrates
- conversion services
- fuel fabrication services

Global presence



About the nuclear energy industry

According to the World Energy Outlook for 2010 (OECD/International Energy Agency), population growth and industrial development will lead to a near doubling of electricity consumption from 2008 to 2035. Most of this energy will be used by developing (non-OECD) countries as their populations and standards of living increase.



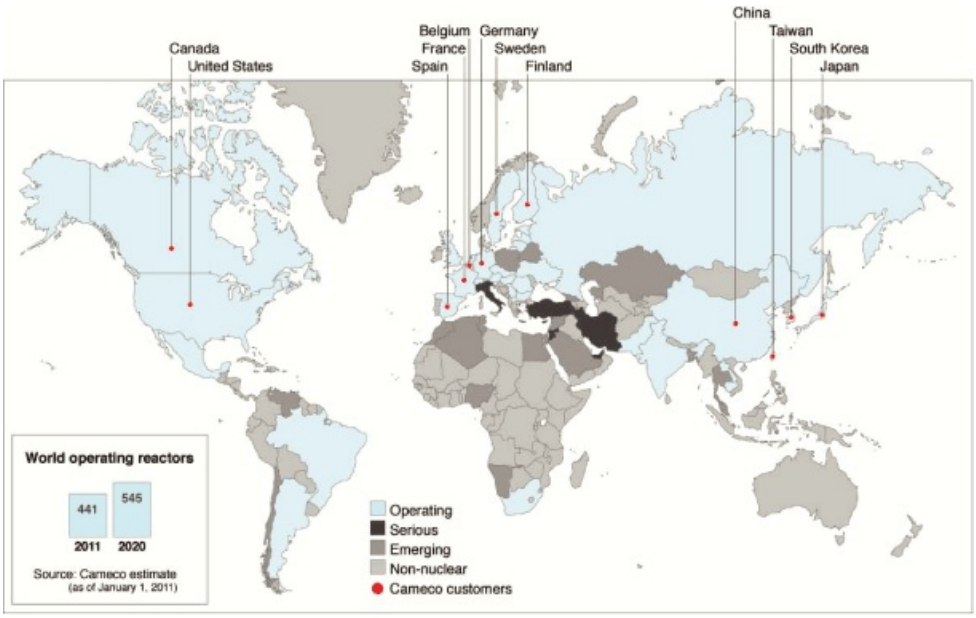
Source: OECD / International Energy Agency

Nuclear power is a clean source of electricity, and generation capacity is growing

As the demand for energy increases, governments, media and consumers are becoming increasingly aware of the dangers and effects of air pollution and climate change, and the importance of low-emission sources of electricity. Increasingly, nuclear energy is recognized as a sustainable alternative to carbon-based electricity that provides energy diversity and security.

Nuclear power can generate electricity with no toxic air pollutants and very low carbon dioxide (CO_2) or other greenhouse gas emissions. It has the capacity to produce enough electricity on a global scale to meet our growing needs, and while it isn't the only solution, it is an affordable and sustainable source of clean, reliable energy. In a carbon-constrained world, nuclear energy will be an even more important part of the future energy mix.

At the start of 2011, there were 441 commercial nuclear power reactors operating in 30 countries. Countries around the world are increasing their capacity to generate nuclear power by refurbishing or uprating nuclear reactors and building new ones.



China is expected to lead the world in the construction of nuclear power plants as electricity demand continues its rapid growth. India is also moving forward with ambitious growth plans to diversify its sources of energy and obtain a secure source of electricity. As at January 1, 2011:

- China was operating 13 reactors, building between 25 and 30 and planning more. We expect a net increase of 54 reactors by 2020.
- India was operating 19 reactors and had several under construction. We expect a net increase of 13 reactors by 2020.

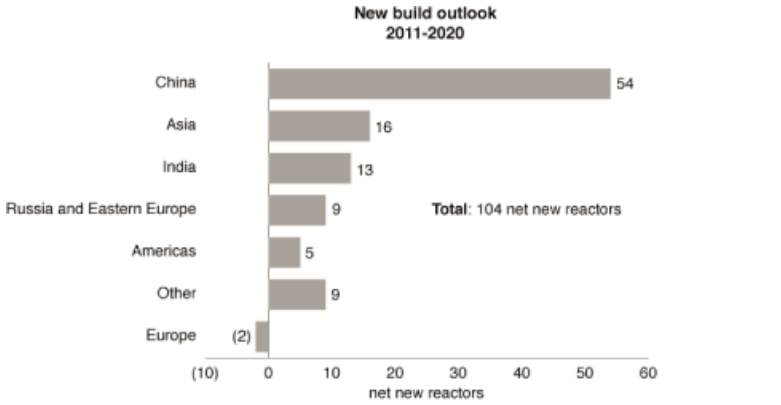
This year the government of Canada signed a civil nuclear co-operation agreement with India to export nuclear technology, equipment and uranium to support India's growing nuclear energy industry. Canada is the eighth nation to sign such an agreement with India since the Nuclear Suppliers Group lifted a 34-year ban on nuclear co-operation with India in 2008. Licencing arrangements for these exports still have to be negotiated by the two governments and discussions are ongoing.

Russia and South Korea continue to expand their nuclear generating capacity. Several non-nuclear countries, like United Arab Emirates, Turkey, Vietnam and Italy, are laying the groundwork to proceed with nuclear power development.

In the UK, government commitment to the future of nuclear energy is strong, driven by the need to limit CO_2 emissions, and by concerns about energy security as current reactors approach the end of their operating lives.

The US continues to make progress toward new nuclear development with pre-construction activities for new reactors underway in two states and one reactor under construction in another.

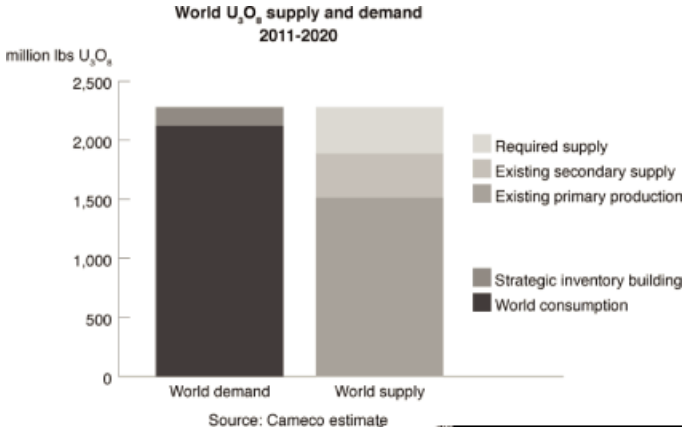
We have long-term supply contracts in 12 of these countries, including China. We are in discussions with India to provide uranium for their growing reactor program.



Other includes Egypt, Iran, Pakistan, South Africa, Turkey and United Arab Emirates.
Eastern Europe includes Armenia, Belarus, Kazakhstan and Ukraine.
Source: Cameco estimate

Demand for uranium is growing

We forecast that world demand will be almost 2.3 billion pounds of U_3O_8 over the next 10 years. This estimate assumes utilities will build strategic inventories of about 160 million pounds of U_3O_8 to support their reactor programs.



Source: Cameco estimate

China's significant activity in the long-term market this year is a sign of the growing demand for uranium and one of the main drivers behind the recent increase in the uranium price. China has been relatively active in the spot market over the last few years, but in 2010, it advanced its reactor build program and started to secure uranium under long-

term contracts. We signed two long-term contracts with Chinese utilities this year, to supply more than 50 million pounds of uranium.

We expect 66% of global uranium supply over the next 10 years to come from existing *primary production sources,* production from mines that are currently in commercial operation.

We expect 16% to come from existing *secondary supply sources*. Most of these sources are finite and will not meet long-term needs. One of the largest current sources of secondary supply is uranium derived from Russian highly enriched uranium (HEU). All deliveries from this source are expected to be made by the end of 2013, when the Russian HEU commercial agreement expires. The US government also makes some of its inventories available to the market, although in much smaller quantities.

We expect the remaining 18% will come from *new sources of supply.*

In 2010, five producers of uranium concentrates marketed 70% of world production and there were only three commercial providers of UF_6 conversion services in the western world. Barriers to entry for new competitors are high, and the lead time for new uranium production can be as long as 10 years or more, depending on the deposit type and location.

Given our extensive base of mineral reserves and resources, diversified sources of supply, global exploration program and vertical integration, we are well positioned to capitalize on the growing interest in nuclear energy.

Despite this growth, challenges remain

Many countries face major obstacles to new nuclear plant construction, including significant upfront capital costs, political opposition and uncertain regulatory environments. In some locations, nuclear energy may not be competitive with other sources of electricity. A country's first new-generation nuclear plants will face significant business risks, including first-time costs, financing, licensing, schedule and construction costs.

While several countries are making progress on the management of used fuel and other radioactive waste from the nuclear fuel cycle, it is still a controversial issue. Many environmental groups continue to oppose the nuclear power industry. There are nuclear plant phase-out programs in a number of European countries, including Germany. However, Germany recently announced plans to extend the lifespan of its nuclear plants by an average of 12 years. Nuclear power still does not qualify internationally for greenhouse gas emission credits, even though it has been recognized as a non-emitting technology in US energy legislation. The lack of climate change legislation in the US makes nuclear energy less competitive than it is in some other countries.

The long-term outlook is positive

Over the long term, we expect that the benefits of nuclear energy will prevail over the challenges, and market fundamentals for uranium and fuel services will remain positive as:

- we expect demand to continue to exceed worldwide production
- secondary supplies currently filling the shortfall are finite
- primary production needs to increase to meet future demand

Over the next 10 years, we anticipate demand for uranium and conversion services to increase moderately, with potential for more rapid growth toward the end of the period, as the construction and completion of nuclear plants accelerates.

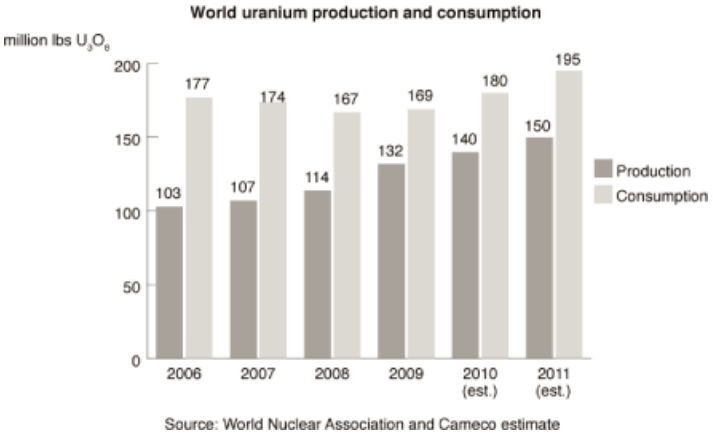
The industry in 2010

World consumption and production

We estimate global uranium consumption in 2010 was about 180 million pounds and production was 140 million pounds.

We expect global uranium consumption to increase to about 195 million pounds in 2011, and production to be approximately 150 million pounds. Secondary supplies should continue to bridge the gap. By 2020, we expect world uranium consumption to be about 230 million pounds per year, an average annual growth rate of about 2%.

We expect world consumption for UF_6 and natural UO_2 conversion services to increase by about 7% in 2011.



Source: World Nuclear Association and Cameco estimate

Industry prices

Utilities are well covered under existing contracts and have been building up inventory levels of U_3O_8 since 2004, so we expect uranium demand in the near term to be discretionary. Spot prices in 2011 are expected to be volatile.

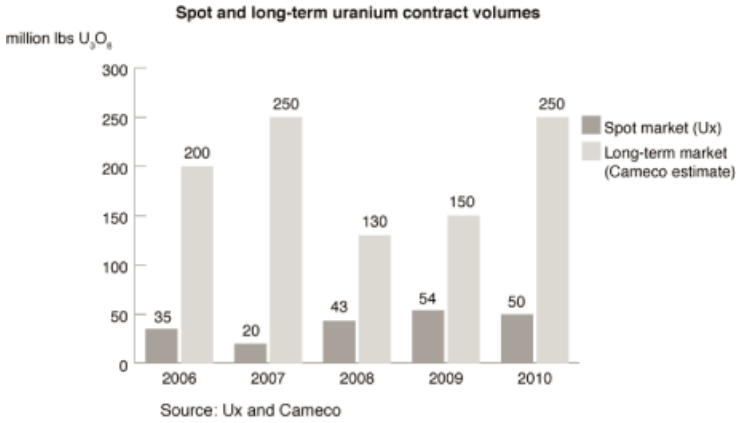
	2010	2009	change
Uranium ($US/lb U_3O_8) [1]			
Average spot market price	**46.83**	46.06	2%
Average long-term price	**60.92**	65.50	(7)%
Fuel services			
($US/kgU UF_6)[1]			
Average spot market price			
• North America	**9.11**	7.16	27%
• Europe	**9.83**	8.82	11%
Average long-term price			
• North America	**12.21**	11.91	3%
• Europe	**13.27**	13.20	1%
Note: the industry does not publish UO_2 prices.			
Electricity ($/MWh)			
Average Ontario electricity spot price	**36**	30	20%

1 Average of prices reported by TradeTech and Ux Consulting (Ux)

Contract volumes

The Ux estimate for 2010 spot market sales is about 50 million pounds, 7% below the record high of 54 million pounds in 2009. Utilities were responsible for 39% of the purchases. With spot price volatility throughout the year, utilities and others took advantage of periods of lower spot prices to make opportunistic purchases.

We expected long-term contracting volumes in 2010 to be similar to 2009, but they ended significantly higher. Industry estimates are that China agreed to purchase about 170 million pounds under long-term contracts, accounting for about 70% of all long-term purchase volumes. We estimate long-term contracting volumes in 2011 will be between 150 and 200 million pounds, depending on supply, market expectations, and market prices.



Our strategy

Our vision is to be a dominant nuclear energy company producing uranium fuel and generating clean electricity. Our goal is to be the supplier, partner, investment and employer of choice in the nuclear industry.

We are a pure-play nuclear investment with a proven track record and the strengths to take advantage of the world's rising demand for clean, safe and reliable energy. Our core strengths make us unique:

- a large portfolio of low-cost mining operations and geographically diverse uranium assets
- controlling interests in the world's largest high-grade uranium reserves
- extensive mineral reserves and resources to support our growth strategy
- excellent growth potential from existing assets, combined with an advanced global exploration program
- multiple sources of conversion and the ability to increase production
- a strong customer base and a worldwide marketing presence
- an extensive portfolio of long-term sales contracts supported by long-life assets
- innovative technology and experience operating in technically challenging environments
- an enterprise-wide risk management system tied directly to our strategy and objectives
- conservative financial management and the financial strength to support our growth
- among the first to build relationships in emerging markets

The focus of our growth strategy continues to be on our uranium segment. With the significant increase in nuclear reactor construction around the world, utilities and countries are building up their strategic inventories. In 2010, this resulted in increased long-term contracting and drove uranium spot prices significantly higher.

Our extraordinary assets, contract portfolio, employee expertise and comprehensive industry knowledge give us the ability to capitalize on any increase in uranium demand and prices, increasing shareholder value.

At the same time, we are managing our fuel services segment to better service our customers and expand our market share.

We plan to use the cash we have available to sustain and increase our production from existing assets. We will consider other uranium production opportunities as they arise.

We have long-term objectives for each of our three business segments:

- *uranium* — double our annual production to 40 million pounds by 2018 from existing assets
- *fuel services* — invest in our fuel services business to support our overall growth in the nuclear business
- *electricity* — maintain steady cash flow while gaining exposure to new opportunities

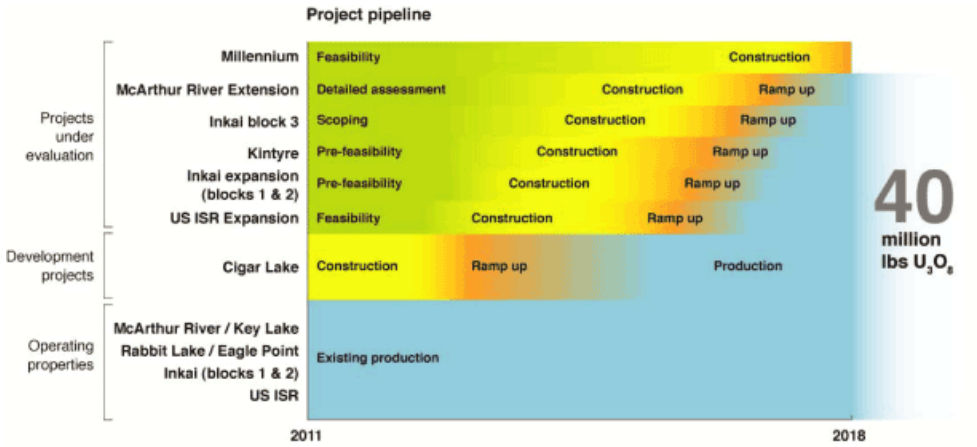
These are supported by annual objectives, which you'll find starting on page 25.

Uranium: doubling production by 2018

We have a strategy and process in place to double our annual production to 40 million pounds by 2018, which we expect to come from three sources:

- operating properties
- development projects
- projects under evaluation

This chart below shows how we expect each of these sources to progress towards achieving our 2018 production goal.



About half of the total expected 2018 annual production is from mines that are already operating. The other half is from projects that are in development or under evaluation. To reach our goal, we expect existing cash balances and operating cash flows will meet anticipated capital requirements without the need for significant additional funding.

We expect to spend, on average, between $20 million and $25 million per year for the next three years to assess the feasibility of projects under evaluation. These amounts will be expensed as incurred.

This is not a complete list of all the projects we are currently evaluating. Many projects are early stage. As we evaluate them, the mix of projects to reach our 2018 goal may change. Our evaluation process is designed to provide flexibility in development decisions. You can read about our stage gate process on page 17.

Operating properties

Our sources of production are McArthur River/Key Lake, Rabbit Lake, Smith Ranch-Highland, Crow Butte and Inkai.

We plan to maintain the base of our current production at these operations, and to expand production where we can by developing new mining zones. We are upgrading the mills at Key Lake and Rabbit Lake to support our growing production.

Inkai blocks 1 and 2, in Kazakhstan, have the potential to significantly increase production. Based on current mineral reserves, we expect Rabbit Lake to produce until 2017, although work is ongoing to extend its mine life even further.

Development project

Cigar Lake is our project in development. It is a superior, world-class deposit that we expect to generate 9 million pounds of uranium per year for Cameco (18 million pounds per year in total) after we finish remediation and construction, and ramp up to full production. We are targeting initial production in mid-2013.

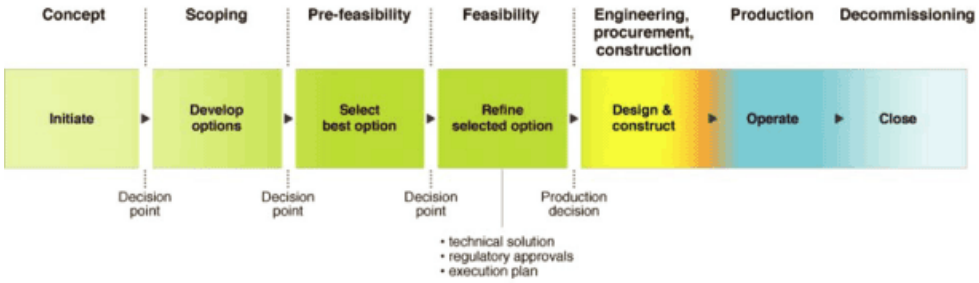
Projects under evaluation

We are evaluating several potential sources of production, including expanding McArthur River, increasing production at Inkai blocks 1 and 2, and advancing Inkai block 3, Kintyre and Millennium.

- The McArthur River extension is expected to expand our existing mining area, which is part of the most prolific high-grade uranium system in the world.
- Under a memorandum of understanding with our Inkai partner, National Atomic Company KazAtomProm Joint Stock Company (Kazatomprom), we are in discussions to increase annual production from blocks 1 and 2, which would result in our share increasing to 5.7 million pounds.
- Inkai block 3, in Kazakhstan, has the potential to become a significant source of production.
- Our acquisition in 2008 of a 70% interest in Kintyre, in Australia, adds potential for low-cost production and diversifies our production by geography and deposit type.
- Millennium is a uranium deposit in northern Saskatchewan that we expect will take advantage of the mill at Key Lake.

Our strategy is to advance these projects through a stage gate process that includes several defined decision points in the assessment and development stages. At each point, we re-evaluate the project based on current competitive, economic, social, legal, political and environmental considerations. If it continues to meet our criteria, we proceed to the next stage. This process allows us to build a pipeline of projects ready for a production decision.

Stage gate process



Growth beyond 2018

Our active global exploration program, combined with our disciplined acquisition strategy, will add to our pipeline of future production sources. Our program is directed at replacing mineral reserves and resources as they are depleted by our production, and ensuring our growth beyond 2018.

Exploration

We have maintained an active exploration program throughout the uranium price cycle, which has helped us secure land with exploration and development prospects that are among the best in the world. In addition, our exploration efforts have increased uranium mineral reserves and resources at our operations. We have direct interests in almost 70 active exploration projects in six countries, over 100 experienced professionals searching for the next generation of deposits, and ownership interests in approximately 4.3 million hectares (10.6 million acres) of land mainly in Canada, Australia, Kazakhstan, the US, Mongolia and Peru. Many of these projects are advanced through joint ventures with both junior and major uranium companies.

For properties that meet our investment criteria, we will partner with other companies through strategic alliances, equity holdings and traditional joint venture arrangements. Our leadership position and industry expertise in both exploration and corporate social responsibility make us a partner of choice.

Acquisition

We have a dedicated team looking for opportunities to acquire companies that are already producing or are nearing that stage. We will invest when an opportunity is available at the right time and the right price. Our acquisition strategy complements our exploration strategy, and together they are building a development pipeline of prospective uranium projects.

This discussion of our strategy, our process to double our annual uranium production by 2018, and our growth beyond that date is forward-looking information. It is based on the assumptions and subject to the material risks discussed on pages 2 and 3, and specifically on the assumptions and risks listed here.

Assumptions

Our statements about doubling annual production by 2018 to 40 million pounds reflect our current production target for 2018. Although we are confident in our efforts to reach that target, we cannot guarantee that we will. We have made assumptions about 2018 production levels at each of our existing operating mines, except those that we do not expect will still be operating then. We have also made assumptions about the development of mines that are not operating yet and their 2018 production levels. We believe these assumptions are reasonable, individually and together, but if an assumption about one or more mines proves to be incorrect, we will not reach our 2018 target production level unless the shortfall can be made up by additional production at another mine.

Material risks that could prevent us from reaching our target

- we cannot locate additional reserves and identify appropriate methods of mining to maintain and increase production levels at McArthur River
- our partner or the Kazakh government does not support an increase in production to the expected level at Inkai, blocks 1 and 2, or we don't reach the full production level as quickly as we expect
- we cannot bring block 3 into production at Inkai if the feasibility study is not favourable or we cannot secure partner or government approval
- remediation and development at Cigar Lake is not completed on schedule, or we do not reach the full production level as quickly as we expect
- development of Kintyre is delayed due to political, regulatory or indigenous people issues
- we cannot obtain a favourable feasibility study for Kintyre or the Millennium project, or we cannot reach agreement with our project partners to move ahead with production at Kintyre or Millennium
- the Key Lake mill does not have enough capacity to handle anticipated production increases, and we aren't able to expand its capacity or to identify alternative milling arrangements
- the projects under evaluation do not proceed or, if they do, are not completed on schedule or don't reach full production levels as quickly as we expect
- uranium prices and development and operating costs make it uneconomical to develop projects under consideration
- we cannot obtain or maintain necessary permits or approvals from government authorities
- disruption in production or development due to natural phenomena, labour disputes, political risks, blockades or other acts of social or political activism, lack of tailings capacity, or other development and operation risks

Fuel services: capturing synergies

Our fuel services segment is strategically important because it helps support the growth of the uranium segment. Offering a range of products and services to customers helps us broaden our business relationships and expand our uranium market share.

We are one of three commercial suppliers of UF_6 in the western world. Our focus is on cost-competitiveness and operational efficiency as we gradually increase production at our world-class conversion facility to support the growing demand. We're also expanding into innovative areas like laser enrichment technology to broaden our fuel cycle participation and help us serve our customers more effectively.

Electricity: capturing added value

Our investment in BPLP is an excellent source of cash flow and a logical fit with our other businesses. Our focus is on maintaining steady cash flow, building synergies with our other segments and looking at the option to extend the operating life of the four Bruce B units.

Building on our strengths

World-class assets

We have a large portfolio of low-cost mining operations and geographically diverse uranium assets, and controlling interests in the world's largest high-grade uranium reserves.

Strong customer relationships

We have large, reliable customers that need uranium regardless of world economic conditions, and we expect the uranium contract portfolio we've built to provide a solid revenue stream for years to come.

Uranium price leverage

Our plans to increase our production of uranium, combined with our contracting strategy, are designed to give us increasing leverage when uranium prices go up, and to protect us when prices decline.

Financial strength

We are in a strong financial position to proceed with our growth plans, and the stability of our revenue stream allowed us to announce plans to increase annual dividends again this year, to $0.40 per share starting in 2011.

Disciplined portfolio management

We have a disciplined portfolio management process that incorporates all capital projects into a single capital plan and uses a stage gate decision process (see page 17). This ensures our capital projects are aligned with our strategic objectives, and that business benefits are measurable and attainable.

Focused risk management

We have a formal enterprise-wide risk management process that we apply consistently and systematically across our organization. Risk management is a core element of our strategy and our objectives, and we use it to continuously improve our organization. It will underpin decisions we make as we move ahead with our growth strategy.

Innovation

We are always looking for ways to improve processes, to increase safety and environmental performance, and reduce costs. We are currently working on projects in all aspects of operations, including upgrading the Key Lake and Rabbit Lake mills.

Reputation

We believe strongly in our values and apply them consistently in our operations and business dealings. We are recognized as a reliable supplier and business partner, strong community supporter, international problem solver and employer of choice.

Managing our growth

Our ability to grow is a function of our people, processes, assets and reputation, and the ability to enhance and leverage these strengths to add value and build competitive advantage.

We use four categories to define what we are committed to deliver, and how we will measure our results:

- outstanding financial performance
- a safe, healthy and rewarding workplace
- a clean environment
- supportive communities

We introduced these measures of success in 2002, to proactively address the financial, social and environmental aspects of our business. We believe that each is integral to the company's overall success and that, together, they will ensure our long-term sustainability.

Focus on long-term sustainability

Companies are under growing scrutiny for the way they conduct their businesses, and there has been a significant increase in stakeholder expectations for environmentally and socially responsible business practices.

Rather than viewing sustainable development as an 'add-on' to traditional business activity, we see it as integral to the way we do business, and have made it a strategic priority, integrating it into our objectives and compensation policies.

You can find out more in our sustainable development report and annual information form, which are on our website (cameco.com).

Outstanding financial performance

Our financial results depend heavily on the prices we realize in our uranium and fuel services segments, on the cost of supply, and on sales and production volumes.

Managing contracts

We sell uranium and fuel services directly to nuclear utilities around the world, as uranium concentrates, UO_2, UF_6, conversion services or fuel fabrication.

Uranium is not traded in meaningful quantities on a commodity exchange. Utilities buy the majority of their uranium and fuel services products under long-term contracts with suppliers, and meet the rest of their needs on the spot market.

Our extensive portfolio of long-term sales contracts — and the long-term, trusting relationships we have with our customers — are core strengths for us.

Because we sell large volumes of uranium every year, our net earnings and operating cash flows are affected by changes in the uranium price. Our contracting strategy is to secure a solid base of earnings and cash flow by maintaining a balanced contract portfolio that maximizes our realized price. Market prices are influenced by the fundamentals of supply and demand, geopolitical events, disruptions in planned supply and other market factors. Contract terms usually reflect market conditions at the time the contract is accepted, with deliveries beginning several years in the future.

Our current uranium contracting strategy is to sign contracts with terms of 10 years or more that include mechanisms to protect us when market prices decline, and allow us to benefit when market prices go up. Our portfolio includes a mix of fixed-price and market-related contracts, which we target at a 40:60 ratio. Fixed-price contracts are typically based on the industry long-term price indicator at the time the contract is accepted, adjusted for inflation to the time of delivery. Market-related contracts may be based on either the spot price or the long-term price as quoted at the time of delivery, and often include floor prices adjusted for inflation and some include ceiling prices also adjusted for inflation.

This is a balanced approach that reduces the volatility of our future earnings and cash flow, and that we believe delivers the best value to shareholders over the long term. It is also consistent with the contracting strategy of our

customers. This strategy has allowed us to add increasingly favourable contracts to our portfolio that will enable us to benefit from any increases in market prices in the future.

The majority of our contracts include a supply interruption clause that gives us the right to reduce, on a pro rata basis, defer or cancel deliveries if there is a shortfall in planned production or in deliveries under the Russian HEU commercial agreement.

We are heavily committed under long-term uranium contracts until 2016, so we are becoming increasingly selective when considering new commitments.

The majority of our fuel services contracts are at a fixed price per kgU, adjusted for inflation, and reflect the market at the time the contract is accepted.

Managing our supply

We sell more uranium than we produce every year. We meet our delivery commitments using uranium we obtain:

- from our own production
- by purchasing uranium under both spot and long-term purchase agreements — mostly under the Russian HEU commercial agreement
- from our existing inventory — we target inventories of about six months of forward sales of uranium concentrates and UF 6

We participate in the uranium spot market from time to time, including making spot purchases to take advantage of opportunities to place the material into higher priced contracts. We determine the appropriate extent of our spot market activity based on the current spot price and various factors relating to our business. In addition to being a source of profit, this activity provides insight into the underlying market fundamentals and supports our sales activities.

Managing our costs

Like all mining companies, our uranium segment is affected by the rising price of inputs like labour and fuel. In 2010, labour, production supplies and contracted services made up 85% of the production costs at our uranium mines. Labour (35%) was the largest component. Production supplies (25%) included fuels, reagents and other items. Contracted services (25%) included mining and maintenance contractors, air charters, security and ground freight.

Operating costs in our fuel services segment are mainly fixed. In 2010, labour accounted for about 50% of the total. The largest variable operating cost is for energy (natural gas and electricity), followed by zirconium and anhydrous hydrogen fluoride.

Our costs are also affected by the mix of products we produce and those we buy. We have long-term contracts to buy uranium and conversion services at fixed prices that are lower than the current published spot and long-term prices. As noted above, we also buy on the spot market, which, while profitable, can be at prices that are much higher than our other sources of supply.

To help us operate efficiently and cost-effectively as we grow, we manage operating costs and improve plant reliability by prudently investing in production infrastructure, new technology and business process improvements.

A safe, healthy and rewarding workplace

We strive to foster a safe, healthy and rewarding workplace at all of our facilities, and measure progress against key indicators, such as conventional and radiation safety statistics, employee sentiment toward the company and employment creation.

To achieve our growth objectives, we need to build an engaged, qualified and diverse organization capable of leading and implementing our strategies. Our challenge is to retain our current workforce and compete for the limited number of people available, both to replace retiring employees and to support our growth. Our long-term people strategy includes identifying critical segments and planning our workforce to meet this challenge.

Our approach seems to be working: we were included in the Financial Post's Top 10 Best Companies to Work For in Canada for 2010 for our employee policies, programs and role in the community, and Mediacorp named us one of Canada's Top 100 Employers for both 2010 and 2011. You can find out more about our awards on our website.

A clean environment

We are committed to operating our business with respect and care for the local and global environment. We strive to be a leader in environmental practices and performance by complying with and moving beyond legal and other requirements.

We are committed to integrating environmental leadership into everything we do. In 2005, we launched a formal environmental leadership initiative, and set objectives and performance indicators to measure our progress in protecting the air, water and land near our operations, and in reducing the amount of waste we generate and energy we use.

Reducing our impact

We have been working to reduce the impact we have on the environment. This includes monitoring and reducing our effect on air, water and land, reducing the greenhouse gases we produce and the amount of energy we consume, and managing the effects of waste.

We are investing in management systems and safety initiatives to achieve operational excellence, and this is improving our safety and environmental performance and operating efficiency.

We have developed new water treatment technologies that have improved the quality of the water released from our Saskatchewan uranium milling operations, and are working on other projects to reduce waste, improve the reclamation process and manage waste rock more effectively.

We have also completed an energy assessment at each of our North American operations, and developed management plans for reducing our energy intensity and greenhouse gas emissions.

We are maximizing the lifespan of our operating sites to limit the environmental impact of operations, and revitalizing the Key Lake mill (in operation for 28 years) and Rabbit Lake mill (in operation for 36 years).

Like other large industrial organizations, we use chemicals in our operations that could be hazardous to our health and the environment if they are not handled correctly. We train our employees in the proper use of hazardous substances and in emergency response techniques.

We meet with communities who are affected by our activities to tell them what we're doing and to receive feedback and further input. For example, in Saskatchewan, we participate in the Athabasca Working Group and Northern Saskatchewan Environmental Quality Committee. In Ontario, we liaise with our communities by regularly holding educational and environment-focused activities.

Supportive communities

To maintain public support for our operations (our social licence to operate) and our global reputation, we need the respect and support of communities, indigenous people, governments and regulators affected by our operations.

We build and sustain the trust of local communities by being a leader in corporate social responsibility (CSR). Through our CSR initiatives, we educate, engage, employ and invest in the people in the regions where we operate.

For example, in northern Saskatchewan in 2010:

- 50% of the employees at our mines were local residents
- 78% of services to our northern minesites — approximately $295 million — went to northern businesses
- we engaged in project discussions with communities impacted by our operations and exploration activities, making 120 community visits to give them information and garner grassroots support early in the process
- we donated over $2.5 million to northern and aboriginal initiatives for youth, health and wellness, education and literacy, and culture and recreation
- provided $100,000 in scholarships to post-secondary students

Our operations are closely regulated to give the public comfort that we are operating in a safe and environmentally responsible way. Regulators approve the construction, startup, continued operation and any significant changes to our operations. Our operations are also subject to laws and regulations related to safety and the environment, including the management of hazardous wastes and materials.

Our objectives are consistent with those of our regulators — to keep people safe and to protect the environment. We pursue these goals through open and co-operative relationships with all of our regulators. We work to earn their trust and that of other stakeholders by continually striving to protect people and the environment.

Measuring our results

We set corporate, business unit and departmental objectives every year under our four measures of success, and these become the foundation for a portion of annual employee compensation.

2010 objectives	Results	2011 objectives This is forward-looking information. See page 1 for more information.
Outstanding financial performance		
Production • Produce 21.5 million pounds of U_3O_8 and between 14 million and 16 million kgU from fuel services.	**Exceeded** • Our share of U_3O_8 production was 22.8 million pounds, or 106% of plan. • We produced 15.4 million kgU at fuel services.	**Production** • Produce 21.9 million pounds of U_3O_8 and between 15 million and 16 million kgU from fuel services.
Financial measures		
Corporate performance • Achieve budgeted net earnings and cash flow from operations (before working capital changes). **Costs** • Strive for unit costs below budget.	**Exceeded** • Net earnings were higher than budget. Cash flow from operations before working capital changes was higher than budget. • Unit costs for uranium production and fuel services were below budget.	**Corporate performance** • Achieve budgeted net earnings and cash flow from operations (before working capital changes). **Costs** • Strive for unit costs below budget.
Growth **Cigar Lake** • Access and secure underground workings and continue with remediation work on schedule. Reinitiate shaft 2 development. • Update the technical report.	**Exceeded** • Successfully dewatered and re-entered the mine using innovative technology. • Resumed shaft 2 development. • Issued technical report.	**Cigar Lake** • Advance the project towards mid-2013 startup by completing remediation of all underground workings and advancing shaft 2 sinking.
Inkai • Advance Inkai block 3 delineation and begin a feasibility study. • Initiate a feasibility study to increase production at Inkai blocks 1 and 2, and secure necessary regulatory approvals.	**Partially achieved** • Block 3 delineation was advanced and supported initiation of a 5-year resource appraisal work plan and test leach facility required by the Kazakh authorities. • Approval in principle to operate blocks 1 and 2 at 3.9 million pounds per annum (100% basis) was received, but not for design capacity of 5.2 million pounds per annum.	**Inkai** • Advance block 3 mineral resource delineation and the engineering design of a test leach facility. Advance construction of site infrastructure. • Receive approval to increase annual production from blocks 1 and 2 to design capacity of 5.2 million pounds per annum (100% basis). • Pursue our longer term objective of receiving approval to double annual production from blocks 1 and 2 by advancing the conversion joint venture project with Kazatomprom.

2010 objectives	Results	2011 objectives
Outstanding financial performance		
Growth (continued) **Kintyre** • Advance project evaluation to allow a production decision as soon as possible.	**Achieved** • Completed delineation drilling and core logging. • Made progress on environmental baseline studies, supporting submission of an environmental scoping document to the Australian regulator.	**Kintyre** • Continue to advance project evaluation to allow a production decision as soon as possible.
Exploration and innovation • Replace mineral reserves and resources at the rate of annual U_3O_8 production based on a three-year rolling average. • Continue to advance extension of McArthur River and the Millennium project to provide future sources of production. • Support production growth and improved operating efficiencies through targeted research, development and technological innovation.	**Exceeded** • Additions to reserves and resources exceeded production by an average of 8 million pounds per year in each of the last three years (2008 to 2010). • The McArthur River extension project and the Millennium project were advanced through the stage gate process. • Cameco's Research Centre advanced a number of projects aimed at improving our environmental performance and process efficiencies at our operations.	**Exploration and innovation** • Replace mineral reserves and resources at the rate of annual U_3O_8 production based on a three-year rolling average. • Support production growth and improved operating efficiencies through targeted research, development and technological innovation. **McArthur River extension** • Advance the underground exploration drifts to the north of current mining areas and initiate a feasibility study. **Millennium** • Continue to advance the Millennium project toward a project decision.
Management • Continue integrating portfolio management into our management, planning and budgeting processes. • Deliver planned capital projects within 10% of budget.	**Achieved** • Portfolio management is now fully integrated into the planning and budgeting process. • Capital projects were delivered within 10% of budget.	**Management** • Sustain and grow production in accordance with our strategy to double uranium production by 2018 by advancing pipeline uranium projects through the stage gate process. • Deliver planned capital projects within 10% of budget.
Safe, healthy and rewarding workplace		
• Strive for no lost-time injuries at all Cameco-operated sites and, at a minimum, maintain a long-term downward trend in combined employee and contractor injury frequency and severity, and radiation doses.	**Exceeded** • Overall, exceptionally strong safety performance in 2010. • Lost-time incident frequency for employees and contractors was 0.24 per 200,000 hours worked compared to a target of 0.5 — the best performance in Cameco's history. Medical aid frequency and severity were also significantly better than target.	• Strive for no lost-time injuries at all Cameco-operated sites and, at a minimum, maintain a long-term downward trend in combined employee and contractor injury frequency and severity, and radiation doses.
• Develop a formal implementation plan for the risk standard and begin implementation.	**Achieved** • All operations met or exceeded their 2010 implementation milestones.	• Complete implementation of the risk standard and integrate it into our quality management system. Adopt a risk policy and implement improvements to the risk governance structure at the management and board level.

2010 objectives	Results	2011 objectives
Clean environment		
• Strive for zero reportable environmental incidents, reduce the frequency of incidents and have no significant incidents at Cameco-operated sites.	**Achieved** • There were 22 reportable environmental incidents, an improvement over 2009 (28 incidents), and below our long-term average of 30. There were no significant environmental incidents.	• Strive for zero reportable environmental incidents, reduce the frequency of incidents and have no significant incidents at Cameco-operated sites. • Improve year-over-year performance in corporate environmental leadership indicators.
• Improve year-over-year performance in corporate environmental leadership indicators.	**Achieved** • Five out of eight key performance indicators showed an improvement relative to 2009.	
Supportive communities		
• Build awareness and support for Cameco through community investment, business development programs and public relations.	**Achieved** • We received positive feedback from our annual polls in Port Hope and Saskatchewan. • We were named one of Canada's Top 100 employers, and one of the top 10 companies to work for in Canada.	• Develop long-term relationships by engaging with stakeholders important to our sustainability. • Ensure support from our employees, impacted communities, investors, governments and the general public through communications, community investment and business development.
• Advance our projects by securing support from indigenous communities affected by our operations.	**Achieved** • Established and maintained positive relationships with groups impacted by our various operating activities.	

Financial results

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

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2010 consolidated financial results

In 2009, we sold all of our shares of Centerra.

We have recast our consolidated financial results for 2008 and 2009 for comparison to show the impact of Centerra as a discontinued operation, as required under Canadian GAAP. The change affected a number of financial measures, including revenue, gross profit, administration costs and income tax expense. See note 24 to the financial statements for more information.

Highlights December 31 ($ millions except per share amounts)	**2010**	**2009**	**2008**	**change from 2009 to 2010**
Revenue	**2,124**	2,315	2,183	(8)%
Gross profit	**744**	750	829	(1)%
Net earnings	**515**	1,099	450	(53)%
$ per common share (basic)	**1.31**	2.83	1.29	(54)%
$ per common share (diluted)	**1.30**	2.82	1.28	(54)%
Adjusted net earnings (non-GAAP, see below)	**496**	528	525	(6)%
$ per common share (adjusted and diluted)	**1.25**	1.35	1.49	(7)%
Cash provided by operations (after working capital changes)	**507**	690	530	(27)%

Net earnings

Our net earnings were $584 million lower than last year primarily as a result of:

- selling our interest in Centerra and recording an after tax gain of $374 million in 2009
- recording an after tax profit of $19 million relating to unrealized mark-to-market gains on financial instruments, compared to a gain of $189 million in 2009
- lower earnings in our electricity business due to a decline in realized prices
- higher exploration expenses, which rose by $47 million mainly due to evaluation activities at Kintyre and Inkai block 3

Three-year trend

Our net earnings normally trend with revenue, but in recent years have been significantly influenced by unusual items.

In 2008, we stopped applying hedge accounting to our portfolio of foreign exchange contracts and, due to the decline in the Canadian dollar relative to the US dollar, recorded $148 million in unrealized mark-to-market losses. We also recorded $30 million in charges to reduce the carrying value of certain investments.

In 2009, we sold our interest in Centerra and recorded a net gain of $374 million. We also recorded $244 million in unrealized mark-to-market pretax gains on our foreign exchange contracts.

Adjusted net earnings (non-GAAP measure)

We use adjusted net earnings, a non-GAAP measure, as a more meaningful way to compare our financial performance from period to period. Adjusted net earnings is our GAAP-based net earnings, adjusted for earnings from discontinued operations and unrealized mark-to-market gains and losses on our financial instruments, which we believe do not reflect underlying performance.

Adjusted net earnings is non-standard supplemental information, and not a substitute for financial information prepared in accordance with GAAP. Other companies may calculate this measure differently. The table below reconciles adjusted net earnings with our net earnings.

($ millions)	2010	2009	2008
Net earnings (GAAP measure)	**515**	1,099	450
Adjustments (after tax)			
Earnings from discontinued operations	**—**	(382)[1]	(84)[1]
Unrealized gains on financial instruments	**(19)**	(189)	166
Stock option expense (recovery)	**—**	—	(33)
Investment writedowns	**—**	—	26
Adjusted net earnings (non-GAAP measure)	**496**	528	525

1 We have changed our method for determining adjusted earnings to exclude all amounts related to our investment in Centerra. Previously, we had included our share of operating income from Centerra in our adjusted earnings measure.

The table below shows what contributed to the change in adjusted net earnings for 2010.

($ millions)		
Adjusted net earnings — 2009		**528**
Change in gross profit by segment (we calculate gross profit by deducting from revenue the cost of products and services sold, and depreciation, depletion and reclamation (DDR))		
Uranium	Lower sales volume	**(62)**
	Higher realized prices ($US)	**188**
	Foreign exchange impact on realized prices	**(168)**
	Lower costs	**57**
	change — uranium	**15**
Fuel services	Higher sales volume	**7**
	Lower realized prices ($Cdn)	**(17)**
	Lower costs	**20**
	change — fuel services	**10**
Electricity	Higher sales volume	**13**
	Lower realized prices ($Cdn)	**(70)**
	Lower costs	**16**
	change — electricity	**(41)**
Other changes		
Exploration expense		**(47)**
Administration expense		**(20)**
Realized gains on derivatives & foreign exchange		**33**
Reduced losses from associated companies		**26**
Interest expense		**13**
Income taxes		**(35)**
Miscellaneous		**14**
Adjusted net earnings - 2010		**496**

Three-year trend

Our adjusted net earnings have been relatively stable over the past three years.

The 1% increase from 2008 to 2009 resulted from:

- higher profits from our electricity business, relating to a higher realized selling price
- partially offset by lower profits in our uranium business, which were impacted by higher unit costs

The 6% decrease from 2009 to 2010 resulted from:

- lower profits from our electricity business, relating to a lower realized selling price
- higher exploration expenses
- higher income taxes
- partially offset by improved profits in the uranium business, relating to the lower cost of sales

Revenue

The table below shows what contributed to the change in revenue this year.

($ millions)	
Revenue — 2009	**2,315**
Uranium	
Lower sales volume	**(191)**
Higher realized prices ($Cdn)	**20**
Fuel services	
Higher sales volume	**38**
Lower realized prices ($Cdn)	**(17)**
Electricity	
Higher sales volume	**29**
Lower realized prices ($Cdn)	**(70)**
Revenue — 2010	**2,124**

See *Financial results by segment* for more detailed discussion.

Three-year trend

In 2009, revenue rose by $0.1 billion to a record $2.3 billion, due to higher realized prices in all business segments. The most significant increase was in the electricity business, where the price rose to $64/MWh from $57/MWh in 2008.

In 2010, revenue declined by 8% to $2.1 billion due largely to reduced sales volumes in the uranium business and a lower realized price in electricity. The decline in sales volumes was matched with an increase in inventories.

Average realized prices

		2010	2009	2008	change from 2009 to 2010
Uranium[1]	$US/lb	**43.63**	38.25	39.52	14%
	$Cdn/lb	**45.81**	45.12	43.91	2%
Fuel services	$Cdn/kgU	**16.86**	17.84	15.85	(5)%
Electricity	$Cdn/MWh	**58**	64	57	(9)%

1 Average realized foreign exchange rate ($US/$Cdn): 2010 — $1.05, 2009 — $1.18 and 2008 — $1.11.

Outlook for 2011

We expect consolidated revenue to be 10% to 15% higher in 2011 due to:

- higher sales volumes in the uranium and fuel services businesses
- increases in realized prices in the uranium and fuel services businesses
- partially offset by lower realized prices for electricity

Our customers choose when in the year to receive deliveries of uranium and fuel services products, so our quarterly delivery patterns, and therefore our sales volumes and revenue, can vary significantly. We expect the trend in delivery patterns in 2011 to be somewhat different than in 2010, with deliveries heavily weighted to the second half of the year. We expect the fourth quarter to account for about one-third of our 2011 sales volumes.

Corporate expenses

Administration

($ millions)	2010	2009	change
Direct administration	**141**	122	16%
Stock-based compensation	**15**	14	7%
Total administration	**156**	136	15%

Direct administration costs in 2010 were $19 million (16%) higher than in 2009 as we continued to pursue and evaluate growth opportunities. The increase is largely related to increased hiring and analysis of business opportunities to achieve our growth plans. These costs were lower than we forecast as we narrowed the scope of some business development activities during the year.

We recorded $15 million in stock-based compensation expenses this year under our stock option, deferred share unit, performance share unit and phantom stock option plans, compared to $14 million in 2009. See note 22 to the financial statements.

Outlook for 2011

We expect administration costs (not including stock-based compensation) to be about 15% to 20% higher than in 2010 due to planned higher spending in support of our growth strategy.

Exploration

In 2010, uranium exploration expenses were $96 million compared to $49 million in 2009. The increase in 2010 largely reflects the increase in evaluation activities at the Kintyre and Inkai block 3 projects in Australia and Kazakhstan. Our exploration efforts in 2010 focused on Canada, the United States, Mongolia, Kazakhstan, Australia and South America.

Outlook for 2011

We expect exploration expenses to be about 5% to 10% lower than they were in 2010 due to a reduction in evaluation activities at the Kintyre project as we near the completion of the prefeasibility stage. See Our operations — Uranium exploration for more information.

Interest and other charges

Interest and other charges were $16 million higher than last year mainly as a result of recording $7 million in foreign exchange losses compared to gains of $21 million in 2009, partially offset by a $7 million increase in interest income attributable to higher cash balances. Gross interest charges this year were $10 million higher than last year attributable to our higher average debt level. See note 15 to the financial statements.

Gains and losses on derivatives

In 2010, we recorded $75 million in mark-to-market gains on our financial instruments compared to gains of $244 million in 2009. Unrealized gains on financial instruments were lower in 2010 than 2009 as the Canadian dollar continued to strengthen against the US dollar, but to a lesser degree. We voluntarily removed the hedging designation on our foreign currency forward sales contracts effective August 1, 2008, and have since recognized unrealized mark-to-market gains and losses in earnings. See note 26 to the financial statements.

Income taxes

We recorded an income tax expense of $27 million in 2010 compared to $53 million in 2009. This was mainly due to a $235 million decrease in pretax earnings in 2010, which was largely attributable to the decline of $169 million in gains on derivatives.

On an adjusted net earnings basis, our effective tax rate in 2010 was 4%, or 7% higher than 2009 as:

- A higher proportion of taxable income was earned in jurisdictions with higher tax rates.
- In 2009, certain future tax liabilities recognized in prior years were reduced.
- In 2009, the statutory income tax rate in Canada was reduced, allowing us to reduce our provision for future income taxes.

On an adjusted net earnings basis, our tax expense was $20 million in 2010, compared to a recovery of $15 million in 2009.

Since 2008, Canada Revenue Agency (CRA) has disputed the transfer pricing methodology we used for certain uranium sale and purchase agreements and issued notices of reassessment for our 2003, 2004 and 2005 tax returns. We believe it is likely that CRA will reassess our tax returns for 2006 through 2010 on a similar basis. Our view is that CRA is incorrect, and we are contesting its position. In July 2009, we filed a Notice of Appeal relating to the 2003 reassessment with the Tax Court of Canada. In November 2010, we filed a Notice of Appeal relating to the 2004 reassessment with the Tax Court of Canada. We intend to object to the 2005 reassessment and pursue our appeal rights under the *Income Tax Act*. However, to reflect the uncertainties of CRA's appeals process and litigation, we have provided $27 million for uncertain tax positions for the years 2003 through 2010. We believe that the ultimate resolution of this matter will not be material to our financial position, results of operations or liquidity over the period. However, an unfavourable outcome for the years 2003 to 2010 could be material to our financial position, results of operations or cash flows in the year(s) of resolution. See note 18 to the financial statements.

Outlook for 2011

On an adjusted net earnings basis, we expect our effective income tax rate will reflect a recovery of 0% to 5% as taxable income in Canada is expected to decline.

Foreign exchange

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

Sales of uranium and fuel services are routinely denominated in US dollars while production costs are largely denominated in Canadian dollars. We use planned hedging to try to protect net inflows (total uranium and fuel services sales less US dollar cash expenses and product purchases) from the uranium and fuel services segments against declines in the US dollar in the shorter term. Our strategy is to hedge net inflows over a rolling 60-month period. Our target for the first 12 months is to hedge 35% to 100% of net inflows. The target range declines every year until it reaches 0% to 10% of our net inflows (from 48 and 60 months).

We also have a natural hedge against US currency fluctuations as a portion of our annual cash outlays, including purchases of uranium and fuel services, is denominated in US dollars. The earnings impact of this natural hedge is more difficult to identify because inventory includes material added over more than one fiscal period.

At December 31, 2010:

- The value of the US dollar relative to the Canadian dollar was $1.00 (US) for $0.99 (Cdn), down from $1.00 (US) for $1.05 (Cdn) at December 31, 2009. The exchange rate averaged $1.00 (US) for $1.03 (Cdn) over the year.
- Our effective exchange rate for the year, after allowing for hedging, was about $1.00 (US) for $1.05 (Cdn), compared to $1.00 (US) for $1.18 (Cdn) in 2009.
- We had foreign currency contracts of $1.3 billion (US) and EUR 93 million at December 31, 2010. The US currency contracts had an average exchange rate of $1.00 (US) for $1.03 (Cdn).
- The mark-to-market gain on all foreign exchange contracts was $47 million compared to a $67 million gain at December 31, 2009.

Timing differences between the maturity dates and designation dates on previously closed hedge contracts can result in deferred gains or charges. At December 31, 2010, we had net deferred gains of $6 million which will be recognized in earnings in 2011.

We manage counterparty risk associated with hedging by dealing with highly rated counterparties and limiting our exposure. At December 31, 2010, all counterparties to foreign exchange hedging contracts had a Standard & Poor's (S&P) credit rating of A or better.

Sensitivity analysis

At December 31, 2010, every one-cent change in the value of the Canadian dollar versus the US dollar would change our 2010 net earnings by about $9 million (Cdn). This sensitivity is based on an exchange rate of $1.00 (US) for $0.99 (Cdn).

Outlook for 2011

Over the next several years, we expect to invest significantly in expanding production at existing mines and advancing projects as we pursue our growth strategy. The projects are at various stages of development, from exploration and evaluation to construction.

We expect our existing cash balances and operating cash flows will meet our anticipated capital requirements without the need for significant additional funding. Cash balances will decline gradually as we use the funds in our business and pursue our growth plans.

Our outlook for 2011 reflects the growth expenditures necessary to help us achieve our strategy. We do not provide an outlook for the items in the table that are marked with a dash.

See *Financial results by segment* for details.

2011 Financial outlook[1]

	Consolidated	Uranium	Fuel services	Electricity
Production	—	21.9 million lbs	15 to 16 million kgU	—
Sales volume	—	31 to 33 million lbs	Increase 10% to 15%	—
Capacity factor	—	—	—	89%
Revenue compared to 2010	Increase 10% to 15%	Increase 15% to 20%[2]	Increase 5% to 10%	Decrease 10% to 15%
Unit cost of product sold (including DDR)	—	Increase 0% to 5%[3]	Increase 2% to 5%	Increase 10% to 15%
Direct administration costs compared to 2010[4]	Increase 15% to 20%	—	—	—
Exploration costs compared to 2010	—	Decrease 5% to 10%	—	—
Tax rate	Recovery of 0% to 5%	—	—	—
Capital expenditures	$575 million[5]	—	—	$80 million

1 Commencing January 1, 2011, we will be reporting our financial results in accordance with IFRS. The information in our 2011 financial outlook has been prepared in accordance with IFRS and our policy choices thereunder to date. A discussion about our transition to IFRS begins on page 91.

2 Based on a uranium spot price of $73.00 (US) per pound (the Ux spot price as of February 7, 2011), a long-term price indicator of $73.00 (US) per pound (the Ux long-term indicator on January 31, 2011) and an exchange rate of $1.00 (US) for $1.00 (Cdn).

3 This increase is based on the unit cost of sale for produced material. If we decide to make discretionary purchases in 2011 then we expect the overall unit cost of product sold to increase further.

4 Direct administration costs do not include stock-based compensation expenses. See page 32 for more information.

5 Does not include our share of capital expenditures at BPLP.

Sensitivity analysis

For 2011:

- a change of $5 (US) per pound in each of the Ux spot price ($73.00 (US) per pound on February 7, 2011) and the Ux long-term price indicator ($73.00 (US) per pound on January 31, 2011) would change revenue by $34 million and net earnings by $26 million.
- a change of $5 in the electricity spot price would change our 2011 net earnings by $2 million, based on the assumption that the spot price will remain below the floor price provided for under BPLP's agreement with the Ontario Power Authority (OPA).

Liquidity and capital resources

At the end of 2010, we had cash and short-term investments of $1.3 billion in a mix of short-term deposits and treasury bills, while our total debt amounted to $1 billion. We were in a similar position at the end of 2009.

We have large, reliable customers that need uranium regardless of world economic conditions, and we expect the uranium contract portfolio we've built to provide a solid revenue stream for years to come.

Our financial objective is to make sure we have the cash and debt capacity to fund our operating activities, investments, and growth. We have several alternatives to fund future capital needs, including our significant cash position, credit facilities, future operating cash flow and debt or equity financing, and are continually evaluating these options to make sure we have the best mix of capital resources to meet our needs.

Our strong financial position gives us the flexibility to fund longer term requirements until the balance accumulates to the point where it makes sense to refinance in the capital markets.

Financial condition

	2010	2009
Cash position ($ millions) (cash, cash equivalents, short-term investments)	**1,260**	1,304
Cash provided by operations ($ millions) (net cash flow generated by our operating activities after changes in working capital)	**507**	690
Cash provided by operations/net debt (net debt is total consolidated debt, less cash and cash equivalents)	**n/a**	n/a
Net debt/total capitalization (total capitalization is total long-term debt and equity)	**n/a**	n/a

Credit ratings

Third-party ratings for our commercial paper and senior debt as of December 31, 2010:

Security	DBRS	S&P
Commercial paper	R-1 (low)	A-1 (low)[1]
Senior unsecured debentures	A (low)	BBB+

1 Canadian National Scale Rating. The Global Scale Rating is A-2.

Liquidity

($ millions)	2010	2009
Cash and cash equivalents at beginning of year	**1,304**	64
Cash from operations	**507**	690
Investment activities		
Additions to property, plant and equipment	**(470)**	(393)
Dispositions	**—**	871
Acquisitions	**—**	—
Other investing activities	**11**	(36)
Financing activities		
Change in debt	**(10)**	(231)
Issue of shares	**18**	442
Dividends	**(106)**	(93)
Other financing activities	**10**	—
Exchange rate on changes on foreign currency cash balances	**(4)**	(10)
Cash and short-term investments at end of year	**1,260**	1,304

Cash from operations

Cash from operations was 27% lower than in 2009 mainly due to higher working capital requirements relating to increased inventory levels and a reduction in accounts payable. Not including working capital requirements, our operating cash flows in the year were up $2 million. See note 19 to the financial statements.

Investing activities

Cash used in investing includes acquisitions and capital spending.

Acquisitions and divestitures

In 2010, we concluded no significant acquisitions or divestitures. In 2009, we sold our interest in Centerra for net proceeds of $871 million. We concluded no significant acquisitions in 2009.

Talvivaara Agreement

On February 7, 2011, we signed two agreements with Talvivaara Mining Company Plc (Talvivaara) to buy uranium produced at the Sotkamo nickel-zinc mine in eastern Finland. Under the first agreement with Talvivaara, we will provide an up-front payment, to a maximum of $60 million (US), to cover certain construction costs. This amount will be repaid through the initial deliveries of uranium concentrates. Once the full amount has repaid, we will continue to purchase the uranium concentrates produced at the Sotkamo mine through a second agreement, which provides for the purchase of uranium using a pricing formula that references market prices at the time of delivery. The second agreement expires on December 31, 2027.

Capital spending

We classify capital spending as growth or sustaining. Growth capital is money we invest to generate incremental production, and for business development. Sustaining capital is the money we spend to keep our operations at current production levels.

(Cameco's share in $ millions)	2010 plan	2010 actual	2011 plan
Growth capital			
Cigar Lake	111	**90**	176
Inkai	4	**5**	9
McArthur River	—	**—**	14
Millennium	—	**—**	6
US ISR	—	**—**	13
Total growth capital	115	**95**	218
Sustaining capital			
McArthur River/Key Lake	220	**165**	169
US ISR	53	**45**	38
Rabbit Lake	56	**49**	85
Inkai	18	**5**	19
Fuel services	29	**20**	32
Other	9	**8**	14
Total sustaining capital	385	**292**	357
Capitalized interest	52	**48**	—
Total uranium & fuel services	**552**[1]	**435**	**575**
Electricity (our 31.6% share of BPLP)	**41**	**35**	**80**

1 We updated our 2010 capital cost estimate in the Q2 MD&A to $510 million and in the Q3 MD&A to $475 million.

Capital expenditures were 21% below our 2010 plan mainly as a result of reduced activity at our Saskatchewan uranium operations. We do not expect this reduction in capital expenditures in 2010 will impact our plans to double annual uranium production by 2018. The variance at Cigar Lake was due mainly to the cleanup and remediation of the underground workings taking longer than originally expected and the revision to project schedules as a result of the decision to proceed with surface freezing. The variance at McArthur River was due mainly to a change in the mine development plans and postponement of some capital projects that were not critical to production. The variance at Key Lake was mainly a result of delays in the construction of the acid and oxygen plants and deferring some of the other Key Lake revitalization projects.

Outlook for investing activities

We expect total capital expenditures for uranium and fuel services to be 32% higher in 2011, as a result of higher spending for:

- growth capital at Cigar Lake
- sustaining capital at Rabbit Lake

Major sustaining expenditures in 2011 include:

- *McArthur River/Key Lake* — At McArthur River, the largest component is mine development at about $50 million. Other projects include site facility expansion and equipment purchases. At Key Lake, construction of the new acid, steam and oxygen plants continues at an estimated cost of $30 million. Additional work to revitalize the mill will also be undertaken, as well as work on the tailings facilities.

- *US in situ recovery (ISR)* — Wellfield construction and well installation is the largest project at approximately $25 million. We also plan to work on the development of the Gas Hills and North Butte projects.
- *Rabbit Lake* — At Eagle Point, the largest project includes mine development at about $20 million. Other projects include dewatering systems, continued work on mine ventilation expansion and replacement of components of the acid plant estimated at $24 million.

For the next several years, we expect our capital expenditures will be similar to 2011.

Financing activities

Cash from financing includes borrowing and repaying debt, and other financial transactions including paying dividends and providing financial assurance. In the fourth quarter, we renewed a $100 million revolving credit facility until February 2012.

As a result of our significant cash balance, there was little in the way of financing activities in 2010.

2009 was a very active year for us. We carried out six separate transactions to build on our already strong financial position, and to support our corporate strategy:

- We issued approximately 26.7 million common shares, netting $440 million, and put in place or renewed $600 million in revolving lines of credit.
- We issued 10-year debentures bearing interest at a rate of 5.67%, netting $495 million. At the same time, we cancelled a $500 million revolving credit facility that was to mature in June 2010.
- We renewed a $100 million revolving credit facility until February 2011, and sold our interest in Centerra, netting $871 million.

Long-term contractual obligations

December 31, 2010 ($ millions)	2011	2012 and 2013	2014 and 2015	2016 and beyond	Total
Long-term debt	13	31	337	572	953
Interest on long-term debt	53	105	96	113	367
Provision for reclamation	14	23	22	406	465
Provision for waste disposal	1	2	2	33	38
Other liabilities	—	—	—	374	374
Total	81	161	457	1,498	2,197

We now have unsecured lines of credit of about $1.2 billion, which include the following:

- A $500 million, unsecured revolving credit facility that matures November 30, 2012. In addition to borrowing directly from this facility, we can use up to $100 million of it to issue letters of credit, and we keep up to $400 million available to provide liquidity for our commercial paper program, as necessary. The facility ranks equally with all of our other senior debt. At December 31, 2010, there was nothing outstanding under this credit facility, and nothing outstanding under our commercial paper program.
- A $100 million, unsecured revolving credit facility that matures on February 4, 2012. At December 31, 2010, there was nothing outstanding under this credit facility.
- Approximately $600 million in short-term borrowing and letters of credit provided by various financial institutions. We use these facilities mainly to provide financial assurance for future decommissioning and reclamation of our operating sites, and as overdraft protection. At December 31, 2010, we had approximately $550 million outstanding in letters of credit.

We have $800 million in senior unsecured debentures:

- $300 million bearing interest at 4.7% per year, maturing on September 16, 2015
- $500 million bearing interest at 5.67% per year, maturing on September 2, 2019

We have issued a $73 million (US) promissory note to GLE to support future development of its business. We do not expect any amounts to be drawn on this note until 2012.

Debt covenants

Our revolving credit facilities include the following financial covenants:

- our funded debt to tangible net worth ratio must be 1:1 or less
- our tangible net worth must be more than $1.25 billion
- other customary covenants and events of default

Funded debt is total consolidated debt less the following: non-recourse debt, $100 million in letters of credit, cash and short-term investments.

Not complying with any of these covenants could result in accelerated payment and termination of our revolving credit facilities. At December 31, 2010, we complied with all covenants, and we expect to continue to comply in 2011.

Off-balance sheet arrangements

We had two kinds of off-balance sheet arrangements at the end of 2010:

- purchase commitments
- financial assurances

Purchase commitments

December 31, 2010 ($ millions)	2011	2012 and 2013	2014 and 2015	2016 and beyond	Total
Purchase commitments[1]	266	620	173	6	1,065

1 Denominated in US dollars, converted to Canadian dollars as of December 31, 2010 at the rate of $0.99.

Most of these are commitments to buy uranium and fuel services products under long-term, fixed-price arrangements.

At the end of 2010, we had committed to $1.1 billion (Cdn) for the following:

- About 27 million pounds U_3O_8 equivalent from 2011 to 2014. Of these, about 23 million pounds are from our agreement with Techsnabexport Joint Stock Company (Tenex) to buy uranium from dismantled Russian weapons (the Russian HEU commercial agreement) through 2013.
- Over 36 million kgU as UF_6 in conversion services from 2011 to 2016 primarily under our agreements with Springfields Fuels Ltd. (SFL) and Tenex.
- Almost 1.1 million Separative Work Units (SWU) of enrichment services to meet existing forward sales commitments under agreements with a non-western supplier.

Non-delivery by Tenex or SFL under their agreements could have a material adverse effect on our financial condition, liquidity and results of operations.

Tenex, SFL and the SWU supplier do not have the right to terminate their agreements other than pursuant to customary event of default provisions.

Financial assurances

December 31 ($ millions)	2010	2009	change
Standby letters of credit	**550**	592	(7)%
BPLP guarantees	**82**	87	(6)%
Total	**632**	679	(7)%

Standby letters of credit mainly provide financial assurance for the decommissioning and reclamation of our mining and conversion facilities. We are required to provide letters of credit to various regulatory agencies until decommissioning and reclamation activities are complete. Letters of credit are issued by financial institutions for a one-year term.

Our total commitment for financial guarantees on behalf of BPLP was an estimated $94 million at the end of the year. See note 25 to the financial statements.

Balance sheet

December 31 ($ millions except per share amounts)	2010	2009	2008	change from 2009 to 2010
Inventory	**543**	453	398	20%
Total assets	**7,671**	7,394	7,011	4%
Long-term financial liabilities	**1,465**	1,471	1,800	(1)%
Dividends per common share	**0.28**	0.24	0.24	17%

Total product inventories increased by 20% to $543 million this year due to higher levels of inventory for uranium, where the quantities produced and purchased exceeded sales for the year. The average cost of uranium was lower as a result of fewer purchases at near-market prices.

At the end of 2010, our total assets amounted to $7.7 billion, an increase of $0.3 billion compared to 2009 due primarily to a higher rate of investment in property, plant and equipment. In 2009, the total asset balance increased by $0.4 billion, largely attributable to a higher cash balance.

The major components of long-term financial liabilities are long-term debt, future income taxes and the provision for reclamation. In 2010, our balance was similar to that of the prior year. In 2009, our balance declined by $0.3 billion primarily due to the repayment of debt during the year.

2010 financial results by segment

Uranium

Highlights	2010	2009	change
Production volume (million lbs)	**22.8**	20.8	10%
Sales volume (million lbs)	**29.6**	33.9	(13)%
Average spot price ($US/lb)	**46.83**	46.06	2%
Average realized price			
($US/lb)	**43.63**	38.25	14%
($Cdn/lb)	**45.81**	45.12	2%
Average unit cost of sales ($Cdn/lb U_3O_8) (including DDR)	**28.40**	30.59	(7)%
Revenue ($ millions)	**1,374**	1,551	(11)%
Gross profit ($ millions)	**503**	488	3%
Gross profit (%)	**37**	31	19%

Production volumes in 2010 were 10% higher than 2009 due to higher production at McArthur River/Key Lake and the continued rampup of production at Inkai.

Uranium revenues this year were down 11% compared to 2009, due to a 13% decline in sales volumes.

Sales volumes in 2010 were 13% lower than 2009 due to some customers deferring deliveries under contracts until 2011. In addition, given the discretionary nature of spot market demand and the low level of spot market prices during the first three quarters of 2010, we intentionally reduced our spot market sales for the year.

Our realized prices this year in US dollars were 14% higher than 2009 mainly due to higher prices under fixed-price sales contracts. Our Canadian dollar selling price, however, was only slightly higher than 2009 as it was impacted by a less favourable exchange rate. Our exchange rate averaged $1.05 compared to $1.18 in 2009.

Total cash cost of sales (excluding DDR) decreased by 23% this year, to $699 million ($23.32 per pound U_3O_8). This was mainly the result of the following:

- the 13% decline in sales volumes
- average unit costs for produced uranium were 6% lower
- average unit costs for purchased uranium were 17% lower due to fewer purchases at spot prices
- a lower proportion of sales of purchased uranium, which carries a higher cash cost

The net effect was a $15 million increase in gross profit for the year.

The following table shows our cash cost of sales per unit (excluding DDR) for produced and purchased material, including royalty charges on produced material, and the quantity of produced and purchased uranium sold.

	Unit cash cost of sale ($Cdn/lb U_3O_8)			Quantity sold (million lbs)		
	2010	2009	change	2010	2009	change
Produced	**22.45**	23.86	(1.41)	**20.0**	20.9	(0.9)
Purchased	**25.11**	30.22	(5.11)	**9.6**	13.0	(3.4)
Total	**23.32**	26.33	(3.01)	**29.6**	33.9	(4.3)

Outlook for 2011

We expect to produce 21.9 million pounds of U_3O_8 in 2011.

Based on the contracts we have in place, we expect to sell between 31 million and 33 million pounds of U_3O_8 in 2011. We expect the unit cost of sales to be 0% to 5% higher than in 2010. This increase is based on the unit cost of sale for produced material. If we decide to make discretionary purchases in 2011 then we expect the overall unit cost of product sold to increase further.

Based on current spot prices, revenue should be about 15% to 20% higher than it was in 2010 as a result of increases in expected realized prices and sales volumes in 2011.

Price sensitivity analysis: uranium

The table below 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 December 31, 2010 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 December 31, 2010, and none of the assumptions we list below change.

Expected realized uranium price sensitivity under various spot price assumptions
(rounded to the nearest $1.00)

($US/lb U_3O_8)

Spot prices	$20	$40	$60	$80	$100	$120	$140
2011	38	41	47	52	57	63	68
2012	36	40	50	58	68	77	86
2013	43	45	54	63	73	82	90
2014	44	47	55	64	74	83	91
2015	40	45	55	65	75	85	94

The table illustrates the mix of long-term contracts in our December 31, 2010 portfolio, and is consistent with our contracting strategy. It has been updated to reflect deliveries made and contracts entered into up to December 31, 2010.

Our portfolio includes a mix of fixed-price and market-price contracts, which we target at a 40:60 ratio. We signed many of our current contracts in 2003 to 2005, when market prices were low ($11 to $31 (US)). Those that are fixed at lower prices or have low ceiling prices will yield prices that are lower than current market prices. These older contracts are beginning to expire, and we are starting to deliver into more favourably priced contracts.

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 32 million pounds per year

Deliveries

- customers take the maximum quantity allowed under each contract (unless they have already provided a delivery notice indicating they will take less)
- we defer a portion of deliveries under existing contracts for 2011 and 2012

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 13% 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.
- we deliver all volumes that we don't have contracts for at the spot price for each scenario

Inflation

- is 2.0% per year

Tiered royalties

As sales of material we produce at our Saskatchewan properties increase, so do the tiered royalties we pay. The table below indicates what we would pay in tiered royalties at various realized prices. We record tiered royalties as a cost of sales.

This table assumes that we sell 100,000 pounds U_3O_8 and that there is no capital allowance available to reduce royalties, and is based on 2010 rates. The index value to calculate rates for 2011 is not available until April 2011.

Realized price ($Cdn)	**Tier 1 royalty** 6% x (sales price - $17.51)	**Tier 2 royalty** 4% x (sales price - $26.27)	**Tier 3 royalty** 5% x (sales price - $35.03)	**Total royalties**
25	44,940	—	—	44,940
35	104,940	34,920	—	139,860
45	164,940	74,920	49,850	289,710
55	224,940	114,920	99,850	439,710
65	284,940	154,920	149,850	589,710
75	344,940	194,920	199,850	739,710
85	404,940	234,920	249,850	889,710

Fuel services

(includes results for UF_6, UO_2 and fuel fabrication)

Highlights	2010	2009	change
Production volume (million kgU)	**15.4**	12.3	25%
Sales volume (million kgU)	**17.0**	14.9	14%
Realized price ($Cdn/kgU)	**16.86**	17.84	(5)%
Average unit cost of sales ($Cdn/kgU) (including DDR)	**13.39**	14.47	(7)%
Revenue ($ millions)	**301**	276	9%
Gross profit ($ millions)	**60**	50	20%
Gross profit (%)	**20**	18	11%

The Port Hope UF_6 conversion plant operated for a full year in 2010, increasing production volumes by 25% over 2009. In 2009, the facility was shut down for the first five months of the year.

Total revenue increased by 9% due to a 14% increase in sales volumes.

Our Canadian dollar realized price for UF_6 was affected by a less favourable exchange rate. Our exchange rate averaged $1.05 in 2010 compared to $1.18 in 2009.

The total cost of products and services sold (including DDR) increased by 6% ($241 million compared to $226 million in 2009) due to the increase in sales volumes. The average unit cost of sales was 7% lower due to lower costs for purchased material and the return to operational status of the UF_6 facility.

The net effect was a $10 million increase in gross profit.

Outlook for 2011

We expect production in 2011 to be similar to 2010, in the range of 15 million to 16 million kgU.

We expect the average realized price for our fuel services products to decline by 2% to 5%, sales volumes to increase by 10% to 15% and revenue to be 5% to 10% higher.

Electricity

BPLP

(100% — not prorated to reflect our 31.6% interest)

Highlights ($ millions except where indicated)	2010	2009	change
Output — terawatt hours (TWh)	**25.9**	24.6	5%
Capacity factor (the amount of electricity the plants actually produced for sale as a percentage of the amount they were capable of producing)	**91%**	87%	5%
Realized price ($/MWh)	**58**	64[1]	(9)%
Average Ontario electricity spot price ($/MWh)	**36**	30	20%
Revenue	**1,509**	1,640	(8)%
Operating costs (net of cost recoveries)	**930**	905	3%
Cash costs	**785**	770	2%
Non-cash costs	**145**	135	7%
Income before interest and finance charges	**579**	735	(21)%
Interest and finance charges	**36**	4	800%
Cash from operations	**643**	754	(15)%
Capital expenditures	**111**	123	(10)%
Distributions	**525**	610	(14)%
Operating costs ($/MWh)	**36**	35[1]	3%

1 Based on actual generation of 24.6 TWh plus deemed generation of 1.2 TWh. Deemed generation in 2010 was insignificant.

Our earnings from BPLP

Highlights ($ millions except where indicated)	2010	2009	change
BPLP's earnings before taxes (100%)	**543**	731	(26)%
Cameco's share of pretax earnings before adjustments (31.6%)	**172**	231	(26)%
Proprietary adjustments	**(6)**	(7)	(14)%
Earnings before taxes from BPLP	**166**	224	(26)%

BPLP's results in 2010 are largely the result of lower revenues, which were 8% lower than 2009 due to a 9% decrease in realized electricity prices. BPLP's average realized price reflects spot sales, revenue recognized under BPLP's agreement with the Ontario Power Authority (OPA) and revenue from financial contracts.

BPLP has an agreement with the OPA under which output from each B reactor is supported by a floor price (currently $48.96/MWh) that is adjusted annually for inflation. The floor price mechanism and any associated payments to BPLP for the output from each individual B reactor will expire on a date specified in the agreement. The expiry dates are December 31, 2015 for unit B6, December 31, 2016 for unit B5, December 31, 2017 for unit B7 and December 31, 2019 for unit B8. Revenue is recognized monthly, based on the positive difference between the floor price and the spot price. BPLP does not have to repay the revenue from the agreement with the OPA to the extent that the floor price for the particular year exceeds the average spot price for that year.

The agreement also provides for payment if the Independent Electricity System Operator reduces BPLP's generation because Ontario baseload generation is higher than required. The amount of the reduction is considered 'deemed

generation', and BPLP is paid either the spot price or the floor price — whichever is higher. Deemed generation was insignificant in 2010.

During 2010, BPLP recognized revenue of $339 million under the agreement with the OPA, compared to $514 million in 2009.

BPLP also has financial contracts in place that reflect market conditions at the time they were signed. Contracts signed in 2006 to 2008, when the spot price was higher than the floor price, reflected the strong forward market at the time. BPLP receives or pays the difference between the contract price and the spot price. Since the electricity market in Ontario has weakened, BPLP has been putting fewer contracts in place.

BPLP sold the equivalent of about 42% of its output under financial contracts in 2010, compared to 57% in 2009.

BPLP's operating costs were $930 million this year compared to $905 million in 2009.

The net effect was a decrease in our share of earnings before taxes of 26%.

BPLP distributed $525 million to the partners in 2010. Our share was $166 million. The partners have agreed that BPLP will distribute excess cash monthly, and will make separate cash calls for major capital projects.

BPLP's capacity factor was 91% in 2010.

Outlook for 2011

We expect the average capacity factor for the four Bruce B reactors to be 89% in 2011, and actual output to be about 2% lower than it was in 2010. The 2011 realized price for electricity is projected to be about 5% to 10% lower than 2010 as BPLP has fewer financial contracts in place for 2011. At December 31, 2010, BPLP had about 7.5 TWh under financial contracts, which is equivalent to about 30% of Bruce B generation at its planned capacity factor. We expect that revenue will decline by 10% to 15% as a result.

We expect the average unit cost (net of cost recoveries) to be 10% to 15% higher in 2011, and total operating costs to rise by about 5% to 10%, mainly due to higher costs for planned outages and maintaining the workforce.

Fourth quarter results

Fourth quarter consolidated results

Highlights ($ millions except per share amounts)	Three months ended December 31 2010	2009	change
Revenue	**673**	659	2%
Gross profit	**245**	206	19%
Net earnings	**207**	598	(65)%
$ per common share (basic)	**0.52**	1.52	(66)%
$ per common share (diluted)	**0.52**	1.52	(66)%
Adjusted net earnings (non-GAAP, see page 29)	**191**	170	12%
$ per common share (adjusted and diluted)	**0.48**	0.43	12%
Cash provided by operations (after working capital changes)	**120**	188	(36)%

In the fourth quarter of 2010, our net earnings were $207 million ($0.52 per share diluted), a decrease of $391 million compared to $598 million ($1.52 per share diluted) in 2009. We had a $374 million net gain in the fourth quarter of 2009 related to the sale of our interest in Centerra.

The 12% increase in adjusted net earnings in the quarter was from higher profits in our uranium segment relating to a higher average realized selling price and a lower unit cost of sales, partially offset by lower profits in the electricity business due to a lower realized price.

We use adjusted net earnings, a non-GAAP measure, as a more meaningful way to compare our financial performance from period to period. See page 29 for more information. The table below reconciles adjusted net earnings with our net earnings.

($ millions)	Three months ended December 31 2010	2009
Net earnings (GAAP measure)	**207**	598
Adjustments (after tax)		
Earnings from discontinued operations	**—**	(424)[1]
Unrealized gains on financial instruments	**(16)**	(4)
Adjusted net earnings (non-GAAP measure)	**191**	170

1 We have changed our calculation of adjusted earnings to exclude amounts related to our investment in Centerra. In previous years, this calculation included our share of earnings from Centerra.

We recorded an income tax expense of $7 million this quarter, based on adjusted net earnings, compared to a $3 million expense in 2009.

Direct administration costs were $47 million in the quarter, $8 million higher than the same period last year. Stock-based compensation expenses were $8 million in the quarter, compared to $3 million in the fourth quarter of 2009 due to a 41% increase in our share price during the fourth quarter of 2010. See note 22 to the financial statements.

($ millions)	Three months ended December 31	
	2010	**2009**
Direct administration	**47**	39
Stock-based compensation	**8**	3
Total administration	**55**	42

Quarterly trends

Highlights

($ millions except per share amounts)				**2010**				**2009**
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**673**	**419**	**546**	**486**	659	518	645	493
Net earnings	**207**	**98**	**68**	**142**	598	172	247	82
$ per common share (basic)	**0.52**	**0.25**	**0.17**	**0.37**	1.52	0.44	0.64	0.23
$ per common share (diluted)	**0.52**	**0.25**	**0.17**	**0.36**	1.52	0.44	0.64	0.22
Adjusted net earnings (non-GAAP, see page 29)	**191**	**80**	**114**	**111**	170	94	161	103
$ per share diluted	**0.48**	**0.20**	**0.29**	**0.28**	0.43	0.24	0.41	0.27
Earnings from continuing operations	**207**	**98**	**68**	**142**	174	195	269	79
$ per common share (basic)	**0.52**	**0.25**	**0.17**	**0.37**	0.44	0.49	0.68	0.23
$ per common share (diluted)	**0.52**	**0.25**	**0.17**	**0.36**	0.44	0.49	0.68	0.23
Cash provided by operations	**120**	**(18)**	**272**	**133**	188	175	147	180

Key things to note:

- Our financial results are strongly influenced by the performance of our uranium segment, which accounted for 68% of consolidated revenues in the fourth quarter of 2010.
- The timing of customer requirements, which tend to vary from quarter to quarter, drives revenue in the uranium and fuel services segments.
- 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-GAAP measure, as a more meaningful way to compare our results from period to period (see page 29 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.
- Quarterly results are not necessarily a good indication of annual results due to the variability in customer requirements noted above.

Fourth quarter results by segment

Uranium

Highlights	Three months ended December 31 2010	2009	change
Production volume (million lbs)	**6.4**	6.7	(4)%
Sales volume (million lbs)	**9.1**	10.0	(9)%
Average spot price ($US/lb)	**58.29**	45.96	27%
Average realized price			
($US/lb)	**48.50**	40.64	19%
($Cdn/lb)	**50.10**	43.51	15%
Average unit cost of sales ($Cdn/lb U_3O_8) (including DDR)	**29.89**	30.29	(1)%
Revenue ($ millions)	**461**	443	4%
Gross profit ($ millions)	**181**	132	37%
Gross profit (%)	**39**	30	30%

Production volumes were 4% lower due to lower output at Rabbit Lake.

Uranium revenues were up 4% due to a 15% increase in the realized selling price, partially offset by a 9% decline in sales volumes.

Realized prices were higher due to higher prices under market-related and fixed-price sales contracts.

Total cash cost of sales (excluding DDR) decreased by 12% to $233 million ($25.30 per pound U_3O_8). This was mainly the result of the following:

- the 9% decline in sales volumes
- average unit costs for produced uranium were 26% higher
- average unit costs for purchased uranium were 14% lower due to fewer purchases at spot prices

The net effect was a $49 million increase in gross profit for the quarter.

The following table shows our cash cost of sales per unit (excluding DDR) for produced and purchased material, including royalty charges on produced material, and the quantity of produced and purchased uranium sold.

Three months ended December 31	Unit cash cost of sale ($Cdn/lb U_3O_8) 2010	2009	change	Quantity sold (million lbs) 2010	2009	change
Produced	**22.30**	17.73	4.57	**5.5**	5.1	0.4
Purchased	**29.93**	34.72	(4.79)	**3.6**	4.9	(1.3)
Total	**25.30**	26.19	(0.89)	**9.1**	10.0	(0.9)

Fuel services

(includes results for UF_6, UO_2 and fuel fabrication)

Highlights	Three months ended December 31 2010	2009	change
Production volume (million kgU)	**3.9**	3.9	—
Sales volume (million kgU)	**6.3**	6.0	5%
Realized price ($Cdn/kgU)	**14.59**	14.89	(2)%
Average unit cost of sales ($Cdn/kgU) (including DDR)	**12.87**	12.43	4%
Revenue ($ millions)	**93**	91	2%
Gross profit ($ millions)	**11**	13	(15)%
Gross profit (%)	**12**	14	(14)%

Total revenue increased by 2% due to a 5% increase in sales volumes.

Our Canadian dollar realized price for UF_6 was similar to the prior year but was affected by a less favourable exchange rate. Our exchange rate averaged $1.03 in the fourth quarter compared to $1.07 in 2009.

The total cost of products and services sold (including DDR) increased by 5% ($82 million compared to $78 million in the fourth quarter of 2009) due to the increase in sales volumes. The average unit cost of sales was 4% higher due to increased sales of fuel fabrication, which carries a higher unit cost than other fuel services products.

The net effect was a $2 million decrease in gross profit.

Electricity

BPLP

(100% — not prorated to reflect our 31.6% interest)

Highlights ($ millions except where indicated)	Three months ended December 31 2010	2009	change
Output — terawatt hours (TWh)	**6.6**	6.4	3%
Capacity factor (the amount of electricity the plants actually produced for sale as a percentage of the amount they were capable of producing)	**91%**	89%	2%
Realized price ($/MWh)	**60**	62[1]	(3)%
Average Ontario electricity spot price ($/MWh)	**32**	30	7%
Revenue	**393**	422	(7)%
Operating costs (net of cost recoveries)	**221**	218	1%
Cash costs	**184**	183	1%
Non-cash costs	**37**	35	6%
Income before interest and finance charges	**172**	204	(16)%
Interest and finance charges	**7**	1	600%
Cash from operations	**146**	229	(36)%
Capital expenditures	**37**	40	(3)%
Distributions	**120**	220	(45)%
Operating costs ($/MWh)	**33**	32[1]	3%

1 Based on actual generation of 6.4 TWh plus deemed generation of 0.4 TWh in the fourth quarter.

Our earnings from BPLP

Highlights ($ millions except where indicated)	Three months ended December 31 2010	2009	change
BPLP's earnings before taxes (100%)	**165**	203	(19)%
Cameco's share of pretax earnings before adjustments (31.6%)	**52**	64	(19)%
Proprietary adjustments	**(1)**	(2)	(50)%
Earnings before taxes from BPLP	**51**	62	(18)%

Total electricity revenue decreased 7% as higher actual output was offset by a lower realized price. Realized prices reflect spot sales, revenue recognized under BPLP's agreement with the OPA, and financial contract revenue. BPLP recognized revenue of $114 million this quarter under its agreement with the OPA, compared to $137 million in the fourth quarter of 2009. The equivalent of about 45% of BPLP's output was sold under financial contracts this quarter, compared to 54% in the fourth quarter of 2009.

The capacity factor was 91% this quarter, up from 89% in the fourth quarter of 2009. Operating costs were $221 million compared to $218 million in 2009.

The result was an 18% decrease in our share of earnings before taxes.

BPLP distributed $120 million to the partners in the fourth quarter. Our share was $38 million. The partners have agreed that BPLP will distribute excess cash monthly, and will make separate cash calls for major capital projects.

Our operations and development projects

This section of our MD&A is an overview of each of our operations, what we accomplished this year, our plans for the future and how we manage risk.

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Managing the risks

The nature of our operations means we face many potential risks and hazards that could have a significant impact on our business. We have comprehensive systems and procedures in place to manage them, but there is no assurance we will be successful in preventing the harm any of these risks and hazards could cause.

Below we list the regulatory, environmental and operational risks that generally apply to all of our operations, development projects, and projects under evaluation. We also talk about how we manage specific risks in each operation or project update. These risks could have a material impact on our business in the near term.

We recommend you also review our annual information form, which includes a discussion of other material risks that could have an impact on our business.

Regulatory risks

A significant part of our economic value depends on our ability to:

- obtain and renew the licences and other approvals we need to operate, to increase production at our mines and to develop new mines. If we do not receive the regulatory approvals we need, or do not receive them at the right time, then we may have to delay, modify or cancel a project, which could increase our costs and delay or prevent us from generating revenue from the project. Regulatory review, including the review of environmental matters, is a long and complex process.
- comply with the conditions in these licences and approvals. In a number of instances, our right to continue operating facilities, increase production at our mines and develop new mines depends on our compliance with these conditions.
- comply with the extensive laws and regulations that govern our activities, including our growth plans. Environmental legislation imposes very strict standards and controls on almost every aspect of our operations and the mines we plan to develop, and are becoming more stringent in Canada and the US. Examples of these controls include that:
    - we must complete an environmental assessment before we can begin developing a new mine or make any significant change to a plan that has already been approved
    - we increasingly need regulatory approval to make changes to our operational processes, which can take a significant amount of time because it may require an environmental assessment or an extensive review of supporting information. The complexity of this process can be further compounded when regulatory approvals are required from multiple agencies.

We use significant management and financial resources to manage our regulatory risks.

Environmental risks

We have the safety, health and environmental risks associated with any mining and chemical processing company. All three of our business segments face unique risks associated with radiation.

Laws to protect the environment are becoming more stringent for members of the nuclear energy industry and have inter-jurisdictional aspects (both federal and provincial/state regimes are applicable). Once we have permanently stopped mining and processing activities, we are required to decommission the operating site to the satisfaction of the regulator. We have developed conceptual decommissioning plans for our operating sites and use them to estimate our decommissioning costs. As the site approaches or goes into decommissioning, regulators review our detailed decommissioning plan, and this can result in additional regulatory process, requirements, costs and financial assurances.

At the end of 2010, our estimate of total decommissioning and reclamation costs was $465 million. This is the undiscounted value of the obligation and is based on our current operations. We had accounting provisions of $280 million at the end of 2010 (the present value of the $465 million). Since we expect to incur most of these expenditures at the end of the useful lives of the operations they relate to, our expected costs for decommissioning and reclamation for the next five years are not material.

We provide financial assurances for decommissioning and reclamation as letters of credit to regulatory authorities, as required. We had a total of $549 million in letters of credit supporting our reclamation liabilities at the end of 2010. Since 2001, all of our North American operations have had letters of credit in place that provide financial assurance in line with our preliminary plans for decommissioning for the sites.

Some of the sites we own or operate have been under ongoing investigation and/or remediation and planning as a result of historic soil and groundwater conditions. For example, we are addressing issues related to historic soil and groundwater contamination at Port Hope and Rabbit Lake.

We use significant management and financial resources to manage our environmental risks.

We manage environmental risks through our safety, health, environment and quality (SHEQ) management system. Our SHEQ management system is centralized and managed at the corporate level, and we implement it corporately and at our operations level. Our chief executive officer is responsible for ensuring that our SHEQ management system is implemented. Our board's safety, health and environment committee also oversees how we manage our environmental risks.

In 2010, we invested:

- $76 million in environmental protection, monitoring and assessment programs, a decrease of 17% compared to 2009
- $34 million in health and safety programs, unchanged compared to 2009.

In 2011, spending for these programs is expected to be similar to 2010.

Operational risks

Other operational risks and hazards include:

- environmental damage
- industrial and transportation accidents
- labour shortages, disputes or strikes
- cost increases for contracted or purchased materials, supplies and services
- shortages of required materials and supplies
- transportation disruptions
- electrical power interruptions
- equipment failures
- non-compliance with laws and licences
- catastrophic accidents
- fires
- blockades or other acts of social or political activism
- natural phenomena, such as inclement weather conditions, floods and earthquakes
- unusual, unexpected or adverse mining or geological conditions
- underground floods
- ground movement or cave ins
- tailings pipeline or dam failures
- technological failure of mining methods

We have insurance to cover some of these risks and hazards, but not all of them, and not to the full amount of losses or liabilities that could potentially arise.

Uranium — production overview

Our production was 10% higher this year than it was in 2009 and 6% higher than our plan at the beginning of 2010. We had a number of successes at our mining operations in 2010.

At McArthur River/Key Lake:

- We increased production by 5% over 2009.
- We obtained approval for production flexibility, which allowed us to exceed our production target by 6%.

At Rabbit Lake:

- We added mineral reserves, extending the estimated mine life by two years to 2017.

At Inkai:

- We continued to ramp up production and exceeded our 2009 production by 136%.
- Production was 13% higher than our plan at the beginning of the year due to the completion of the processing facilities and a stable acid supply.

Uranium production

Cameco's share (million lbs U_3O_8)	Three months ended December 31		Year ended December 31		
	2010	**2009**	**2010**	**2009**	**2010 plan**
McArthur River/Key Lake	**4.0**	4.0	**13.9**	13.3	**13.1**
Rabbit Lake	**1.3**	1.4	**3.8**	3.8	**3.6**
Smith Ranch-Highland	**0.4**	0.5	**1.8**	1.8	**1.8**
Crow Butte	**0.2**	0.2	**0.7**	0.8	**0.7**
Inkai	**0.5**	0.6	**2.6**	1.1	**2.3**
Total	**6.4**	6.7	**22.8**	20.8	**21.5**[1]

1 We updated our 2010 plan in our Q3 MD&A to 22 million pounds.

Outlook

We have geographically diversified sources of production. We expect to produce about 125 million pounds of U_3O_8 over the next five years from the properties listed below. Our strategy is to double our annual production to 40 million pounds by 2018, which we expect will come from our operating properties, development projects and projects under evaluation. These sources are discussed in the following section.

Cameco's share of production — annual forecast to 2015

Current forecast (million lbs U_3O_8)	2011	2012	2013	2014	2015
McArthur River/Key Lake	13.1	13.1	13.1	13.1	13.1
Rabbit Lake	3.6	3.6	3.6	3.6	3.6
US ISR	2.5	3.1	3.1	3.7	3.8
Inkai	2.7	3.1	3.1	3.1	3.1
Cigar Lake	—	—	1.0	2.0	5.6
Total	**21.9**	**22.9**	**23.9**	**25.5**	**29.2**

In 2013, production at McArthur River may be lower as we transition to mining upper zone 4.

In 2010, Inkai received approval in principle to produce at 3.9 million pounds per year (100% basis) and is seeking final approval through an amendment to the resource use contract.

Our 2011 and future annual production targets assume Inkai receives the government approvals and support of our partner, Kazatomprom. More specifically, it must:

- obtain final approval to produce at an annual rate of 3.9 million pounds (our share 2.3 million pounds)
- obtain the necessary permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramp up production to an annual rate of 5.2 million pounds this year

We expect Inkai to receive all of the necessary permits and approvals to meet its 2011 and future annual production targets and we anticipate it will be able to ramp up production as noted above.

There is no certainty, however, that Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not, or if the permits and approvals are delayed, Inkai may be unable to achieve its 2011 and future annual production targets.

This forecast is forward-looking information. It is based on the assumptions and subject to the material risks discussed on pages 2 and 3, and specifically on the assumptions and risks listed here. Actual production may be significantly different from this forecast.

Assumptions

- we achieve our forecast production for each operation, which requires, among other things, that our mining plans succeed, processing plants are available and function as designed, we have sufficient tailings capacity and our reserve estimates are accurate
- we obtain or maintain the necessary permits and approvals from government authorities
- our production is not disrupted or reduced as a result of natural phenomena, labour disputes, political risks, blockades or other acts of social or political activism, shortage or lack of supplies critical to production, equipment failures or other development and operation risks

Material risks that could cause actual results to differ materially

- we do not achieve forecast production levels for each operation because of a change in our mining plans, processing plants are not available or do not function as designed, lack of tailings capacity or for other reasons
- we cannot obtain or maintain necessary permits or government approvals
- natural phenomena, labour disputes, political risks, blockades or other acts of social or political activism, shortage or lack of supplies critical to production, equipment failures or other development and operation risks disrupt or reduce our production

Uranium — operating properties



McArthur River/Key Lake

McArthur River is the world's largest, high-grade uranium mine, and Key Lake is the largest uranium mill in the world.

Ore grades at the McArthur River mine are 100 times the world average, which means it can produce more than 18 million pounds per year by mining only 150 to 200 tonnes of ore per day. We are the operator.

McArthur River is one of our three material uranium properties.

Location	Saskatchewan, Canada
Ownership	69.805% — McArthur River 83.33% — Key Lake
End product	U_3O_8
ISO certification	ISO 14001 certified
Deposit type	underground
Estimated reserves (our share)	234.2 million pounds — proven and probable
Average reserve grade	U_3O_8 — 15.24%[1]
Estimated resources (our share)	11.8 million pounds (measured and indicated) 104.8 million pounds (inferred)
Mining methods	currently: raiseboring under development: boxhole boring
Licensed capacity	mine and mill: 18.7 million pounds per year (can be exceeded — see *Licensing* below)
Total production 2000 to 2010 1983 to 2002	191.1 million pounds (McArthur River/Key Lake) (100% basis) 209.8 million pounds (Key Lake) (100% basis)
2010 production	13.9 million pounds (our share)
2011 forecast production	13.1 million pounds (our share)
Estimated decommissioning cost	$36.1 million — McArthur River $120.7 million — Key Lake

1 For more information on the average grade, please see the 2010 update that follows in this section — *Change in Average Reserve Grades*

Background

We use a number of innovative methods and techniques to mine the McArthur River deposit:

Ground freezing

The sandstone that overlays the deposit and basement rocks is water-bearing, with large volumes of water under significant pressure. We use ground freezing to form an impermeable wall around the area being mined. This prevents water from entering the mine, and helps stabilize weak rock formations.

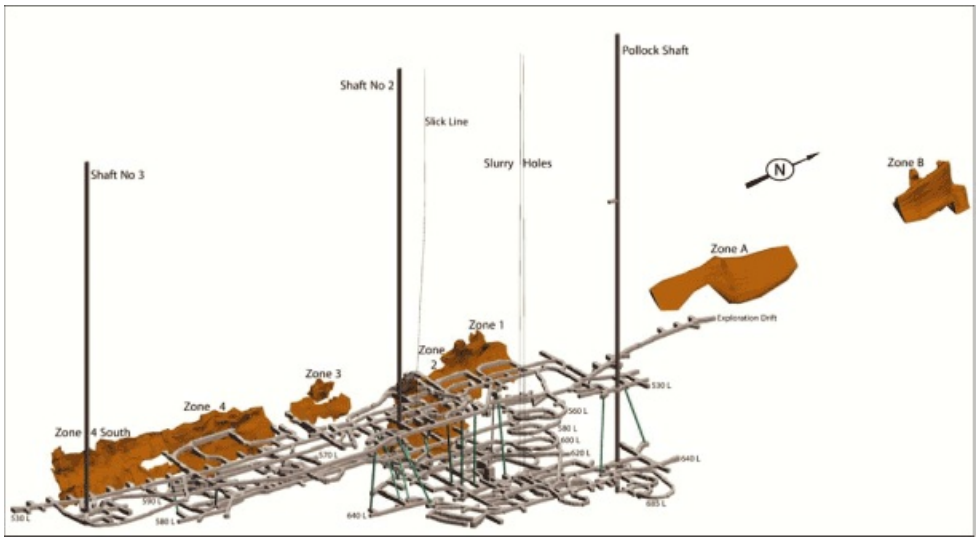
In 2009, we developed an innovative, cathedral-shaped freezewall around zone 2, panel 5, allowing us to develop tunnels above and below the orebody. We expect this innovation will allow us to continue using raisebore mining as the main mining method at McArthur River and improve production efficiencies as we transition to other areas of the mine (see *Planning for the future — Zone 4* below).

Raisebore mining

Raisebore mining is an innovative non-entry approach that we adapted to meet the unique challenges at McArthur River. It involves:

- drilling a series of overlapping holes through the ore zone from a raisebore chamber in waste rock above the ore
- collecting the broken ore at the bottom of the raises using line-of-sight remote-controlled scoop trams, and transporting it to a grinding circuit
- filling each raisebore hole with concrete once it is complete
- removing the equipment and filling the entire chamber with concrete when all the rows of raises in a chamber are complete
- starting the process again with the next raisebore chamber

We have successfully used the raisebore mining method to extract about 190 million pounds (100% basis) since we began mining in 1999.



McArthur River currently has four zones with delineated mineral reserves (zones 1 to 4). Zones A and B are categorized as inferred mineral resources. Parts of zones 1, 2, 3 and 4 also have mineral resources.

Until this year, we have mined only zone 2 since the mine started production. Zone 2 is divided into four panels (panels 1, 2, 3 and 5). Until late 2009, all mine production was from panels 1, 2 and 3, and there are still limited

reserves that we will extract from these panels in the next few years. Panel 5 represents the upper portion of zone 2, overlying a portion of the other panels.

We successfully transitioned to panel 5 last year, the first time development has been accomplished through the unconformity into the Athabasca sandstone.

We brought the lower mining area of zone 4 into production in the fourth quarter of 2010.

Boxhole boring

Given our success with the cathedral-shaped freezewall around zone 2, panel 5, the use of boxhole boring in our mine plan has been significantly narrowed in scope. We expect to be able to continue using raisebore mining as our main mining method for McArthur River.

Boxhole boring is similar to the raisebore method, but the drilling machine is located below the orebody, so development is not required above the orebody. This method is currently being used at only a few mines around the world, but has not been used for uranium mining.

Boxhole boring poses some technical challenges. We will continue to test this method in 2011; however, we expect it will only be used as a secondary method in areas where we determine raiseboring is not feasible. We may use it on a limited basis in 2013 to meet our production target.

2010 update

Production

Our share of production was 6% higher than our target of 13.1 million pounds U_3O_8, and a 5% increase over 2009. In 2009, we also exceeded our production target.

Our strong performance at both McArthur River and Key Lake allowed us to realize benefits under the production flexibility amendments to the McArthur River and Key Lake operating licences (see *Licensing* below).

New mining areas

Zone 2, panel 5 — We developed a second raisebore chamber. This is expected to improve production efficiency in the future.

Lower zone 4 — We completed the transition to this zone and began production during the fourth quarter.

Change in Average Reserve Grades

At McArthur River, average grade for our mineral reserves changed as follows:

- for our proven reserves: in 2010 the average grade is 17.29%, up from 15.72% in 2009
- for our probable reserves: in 2010 the average grade is 13.49%, down from 26.33% in 2009

As a consequence, the average grade for our proven and probable reserves in 2010 is 15.24%, down from 19.53% in 2009.

The addition of 260 thousand tonnes of ore to probable reserves resulted in the average grade decreasing in 2010. This increase of tonnes is due mostly to successful underground drilling and conversion of lower grade inferred resources to probable reserves. Our plan to use conventional blast-hole stoping in some areas also enabled us to convert lower grade resources to reserves. We do not expect this reduction in grade to have a material effect on operating costs. Please see our mineral reserves and resources section on page 84 for more information.

Mill revitalization

The Key Lake mill began operating in 1983. We are revitalizing the mill to ensure sustained reliable production and increase our uranium production capability. This year we focused on:

- building the acid, steam and oxygen processing plants
- securing our existing tailings capacity

Operational upgrades

The Key Lake revitalization plan includes upgrading circuits with new technology to simplify operations and improving environmental performance. As part of this plan, we are replacing the acid, steam and oxygen plants.

This year we installed all structural steel and winterized the buildings. We installed all major equipment for the acid and steam plants, and are installing mechanical piping.

We expect to complete and commission all three plants in 2011.

Tailings capacity

We submitted a project description, the *Key Lake extension project*, to regulators to extend the lifespan of the Key Lake operation.

The project proposes to:

- allow continued processing of ore from the McArthur River mine and other potential mine developments
- increase long-term capacity of the Deilmann tailings management facility by allowing us to deposit tailings to a higher elevation
- increase annual mill production capacity to 25 million pounds U_3O_8

Licensing

The CNSC approved an amendment to our operating licence for McArthur River, giving us flexibility in the annual licensed production limit, similar to that received at Key Lake last year. The McArthur River mine can produce up to 20.7 million pounds U_3O_8 (100% basis) per year as long as average annual production does not exceed 18.7 million pounds. If production is lower than 18.7 million pounds in any year, we can produce more in future years until we recover the shortfall. After taking advantage of this provision in 2009 and this year, we still have the opportunity to recover about 4 million pounds (100% basis) in past production shortfalls.

After the mill is revitalized, annual production will depend mainly on mine production. We are continuing to plan for annual production of 18.7 million pounds (100% basis) for the next few years.

Exploration

We initiated a multi-year project, the *McArthur River extension*, to advance the underground exploration drifts to the north and to the south of the current mining operations. We expect this work to further delineate zones A and B inferred mineral resources to the north, and mineral resources to the south.

We received regulatory approval to continue developing the north exploration drift towards zone A and zone B. Over the next two years, we will carry out underground exploration from this drift to expand our knowledge of the size and grade of the ore in this area.

The surface lease has been reinstated to its original size, which will allow us to optimize the location for future mine workings for ongoing approved activities. We expect a fourth shaft will be necessary for ventilation of ongoing operations and for the eventual development of zones to the north of current mining areas.

Labour relations

We reached a new four-year collective agreement with unionized employees at McArthur River and Key Lake. The agreement expires on December 31, 2013.

Planning for the future

Production

We expect our share of production to be 13.1 million pounds U_3O_8 in 2011 and will look for opportunities to take advantage of the production flexibility provision in our licences.

New mining zones

Zone 2, panel 5 — In 2011, we expect to develop a third raisebore chamber.

Zone 4 — In 2011, we will begin work to install the freezewall required to bring the upper mining area of zone 4 into production.

Our initial plan was to mine upper zone 4 using boxhole boring. We now expect, however, to use raisebore mining in this area by applying the ground freezing experience we gained in zone 2, panel 5. By using raisebore mining, we expect to significantly improve production efficiencies compared to boxhole boring.

Tailings capacity

In 2011, we expect to:

- complete the detailed design for the stabilization of the Deilmann tailings management facility pitwalls
- start to relocate the infrastructure necessary to allow us to flatten the slope of the pitwalls
- advance work on the environmental assessment for the *Key Lake extension project*

Exploration

In 2011, we will continue work on the *McArthur River extension project*, to advance the underground exploration drift to the north of the current mining areas. We will carry out further surface exploration drilling of zone B. We will begin work on a feasibility study for the zones north of our current mining areas.

Managing ongoing risks

Production at McArthur River/Key Lake poses many challenges: control of groundwater, weak rock formations, radiation protection, water inflow, mining method uncertainty and changes to productivity, mine transitioning, regulatory approvals, tailings capacity, reliability of facilities at Key Lake, surface and underground fires. Operational experience gained since the start of production has resulted in a significant reduction in risk.

Water inflow risk

The greatest risk is production interruption from water inflows. A 2003 water inflow resulted in a three-month suspension of production. We also had a small water inflow in 2008 that did not impact production.

The consequences of another water inflow at McArthur River would depend on its magnitude, location and timing, but could include a significant interruption or reduction in production, a material increase in costs and a loss of mineral reserves.

We take the following steps to reduce the risk of inflows, but there is no guarantee that these will be successful:

- *Ground freezing* — Before mining, we drill freezeholes and freeze the ground to form an impermeable freezewall around the area being mined. Ground freezing reduces but does not eliminate the risk of water inflows.
- *Mine development* — We carry out extensive grouting and careful placement of mine development away from known groundwater sources whenever possible. In addition, we assess all planned mine development for relative risk, and apply extensive additional technical and operating controls for all higher risk development.
- *Pumping capacity and treatment limits* — Our standard for this project is to secure pumping capacity of at least one and a half times the estimated maximum sustained inflow. We review our dewatering system and requirements at least once a year and before beginning work on any new zone.

We believe we have sufficient pumping, water treatment and surface storage capacity to handle the estimated maximum sustained inflow.

Key Lake tailings capacity risk

Tailings from processing McArthur River ore are deposited in the Deilmann tailings management facility. At current production rates, the capacity of the Deilmann tailings management facility is five to six years, assuming we experience only minor losses in storage capacity due to sloughing from the pitwalls. Significant sloughing may constrain McArthur River production.

Sloughing of material from the pitwalls has occurred in the past and resulted in the loss of capacity. Technical studies show that stabilizing and reducing water levels in the pit enhances the stability of the pitwalls, thereby reducing the risk of pitwall sloughing. We doubled our dewatering treatment capacity, allowing us to stabilize the water level in the pit. The water level has been gradually reduced over the past two years.

In 2009, regulators approved our plan for the long-term stabilization of the Deilmann tailings management facility pitwalls. We are implementing the plan, and expect it will take approximately four years to complete the work.

We have also assessed options for long-term storage of tailings at Key Lake. We are proceeding with the environmental assessment to support an application for regulatory approval to deposit tailings in the Deilmann tailings management facility to a much higher level. This would provide us with enough tailings capacity to support many more years of mill production at Key Lake (see *Tailings capacity* above).

We also manage the risks listed on pages 54 and 55.

Uranium — operating properties



Rabbit Lake

The Rabbit Lake operation, which opened in 1975, is the longest operating uranium production facility in North America, and the second largest uranium mill in the world.

Location	Saskatchewan, Canada
Ownership	100%
End product	U_3O_8
ISO certification	ISO 14001 certified
Deposit type	underground
Estimated reserves	25.5 million pounds (proven and probable)
Average reserve grade	U_3O_8 — 0.76%
Estimated resources	4.0 million pounds (indicated) 10.2 million pounds (inferred)
Mining method	vertical blast-hole stoping
Licensed capacity	mill: maximum 16.9 million pounds per year; currently 11 million
Total production 1975 to 2010	182.5 million pounds
2010 production	3.8 million pounds
2011 forecast production	3.6 million pounds
Estimated decommissioning cost	$105.2 million

2010 update

Production

Production this year was the same as in 2009.

Continued to upgrade the mill

We completed the first phase of upgrades at the acid plant, replacing the convertor and heat recovery equipment.

Worked to extend the mine life

We added mineral reserves, extending the estimated mine life by two years to 2017. We have completed surface exploration drilling near the mine and have found new mineralization referred to as the Powell zone. In 2012, we are planning to start an underground drilling program to further evaluate this mineralization.

We installed and commissioned a new exhaust air raise at the Eagle Point mine to support future activities in the northern part of the mine.

Planning for the future

Production

We expect to produce 3.6 million pounds in 2011.

Milling

We expect to have sufficient tailings capacity to support milling of Eagle Point ore and a portion of the uranium solution from milling of Cigar Lake ore until mid-2016. We are planning to expand the existing tailings management facility to increase the tailings capacity by mid-2016 to support the extension of Rabbit Lake's mine life, accommodate tailings from processing Cigar Lake uranium solution and provide a modest amount of additional tailings capacity for future processing opportunities. We need regulatory approval to proceed with any increase in capacity.

Exploration

We have extended our underground drilling reserve replacement program into 2011. We plan to test and evaluate areas east and northeast of the mine where we have had good results. Drilling will also continue on other parts of the property.

Reclamation

As part of our multi-year site-wide reclamation plan, we expect to spend $5.7 million in 2011 to reclaim facilities that are no longer in use.

Managing our risks

We manage the risks listed on pages 54 and 55.

Uranium — operating properties



Smith Ranch-Highland

We operate Smith Ranch and Highland as a combined operation. Each has its own processing facility, but the Smith Ranch mill processes all the uranium. The Highland mill is currently idle.

Together, they form the largest uranium production facility in the United States.

Location	Wyoming, US
Ownership	100%
End product	U_3O_8
ISO certification	ISO 14001 certified
Estimated reserves	8.0 million pounds (proven and probable)
Average reserve grade	U_3O_8 — 0.09%
Estimated resources	22.5 million pounds (measured and indicated) 6.6 million pounds (inferred)
Mining method	in situ recovery (ISR)
Licensed capacity	mine: 2 million pounds per year mill: 4 million pounds per year including Highland mill
Total production 2002 to 2010	13.6 million pounds
2010 production	1.8 million pounds
2011 forecast production	1.8 million pounds
Estimated decommissioning cost	$111.5 million (US)

2010 update

Production

We met our production target for the year.

Upgrades

We finished building five deep disposal wells, and received authorization to operate four of the five wells. We expect to receive authorization to operate the fifth well in 2011. These are expected to help us operate and restore groundwater more efficiently.

Licensing

We submitted the licence renewal application to the regulators. We expect production to continue throughout the licence renewal process.

Planning for the future

Production

We expect to produce 1.8 million pounds in 2011.

Reynolds Ranch expansion

We are seeking regulatory approval to proceed with our Reynolds Ranch expansion. The regulators have indicated they have a large volume of permits to process, therefore approval of our expansion is not expected to occur until late in 2011. We do not expect this delay to impact production.

Reserves and resources for Reynolds Ranch and Northwest Unit have been included in the totals for Smith Ranch-Highland reserves and resources. Both properties are adjacent to Smith Ranch-Highland.

Exploration

Additional exploration is underway with the objective of extending the mine life.

Managing our risks

The operating environment is becoming more complex as public interest and regulatory oversight increase. This may have a negative impact on our plans to increase production. We also manage the risks listed on pages 54 and 55.

Uranium — operating properties



Crow Butte

Crow Butte was discovered in 1980 and began production in 1991. It is the first uranium mine in Nebraska, and is a significant contributor to the economy of northwest Nebraska.

Location	Nebraska, US
Ownership	100%
End product	U_3O_8
ISO certification	ISO 14001 certified
Estimated reserves	3.1 million pounds (proven and probable)
Average reserve grade	U_3O_8 — 0.12%
Estimated resources	11.2 million pounds (measured and indicated) 5.6 million pounds (inferred)
Mining method	in situ recovery (ISR)
Licensed capacity (mine and mill)	1 million pounds per year
Total production 2002 to 2010	6.8 million pounds
2010 production	0.7 million pounds
2011 forecast production	0.7 million pounds
Estimated decommissioning cost	$35.2 million (US)

2010 update

Production

Production was in line with our forecast.

Licensing

The regulators continued their review of our applications to expand and re-license Crow Butte. They are planning public hearings in 2011 to consider our application. We expect production to continue throughout this licence renewal process.

Planning for the future

Production

In 2011, we expect to produce 0.7 million pounds.

Managing our risks

The operating environment is becoming more complex as public interest and regulatory oversight increase. This may have a negative impact on our plans to increase production. We also manage the risks listed on pages 54 and 55.

Uranium — operating properties



Inkai

Inkai is a very significant uranium deposit, located in Kazakhstan. There are two production areas (blocks 1 and 2) and an exploration area (block 3). The operator is Joint Venture Inkai Limited Liability Partnership, which we jointly own (60%) with Kazatomprom (40%).

Inkai is one of our three material uranium properties.

Location	Central Kazakhstan
Ownership	60%
End product	U_3O_8
ISO certification	BSI OHSAS 18001 ISO 14001 certified
Estimated reserves (our share)	72.9 million pounds (proven and probable)
Average reserve grade	U_3O_8 — 0.07%
Estimated resources (Our share)	18.3 million pounds (measured and indicated) 153.0 million pounds (inferred)
Mining method	in situ recovery (ISR)
Licensed capacity (mine and mill)	approved in principle: 3.9 million pounds per year (our share 2.3 million pounds per year) application: expect to submit for 5.2 million pounds per year (our share 3.1 million pounds per year)
2010 production	2.6 million pounds (our share)
2011 forecast production	2.7 million pounds (our share)
Estimated decommissioning cost	$7 million (US)

2010 update

Production

Our share of production this year was significantly higher due to successful wellfield performance and the processing of uranium in inventory at the end of 2009. Production was 13% higher than our plan at the beginning of the year due to the completion of the processing facilities and a stable acid supply.

Operations

Inkai received state commissioning approval for the main processing plant, allowing full processing of uranium concentrate on site. The plant operated at production rates very close to design capacity for several months due to strong wellfield performance.

Project funding

We have a loan agreement with Inkai. As of December 31, 2010, there was:

- $314 million (US) of principal outstanding on the loan.
- a nominal amount of accrued interest and financing fees on the loan. In 2010, Inkai paid $49 million (US) in accrued interest and financing fees.

Inkai uses 100% of the cash available for distribution each year to pay accrued interest and financing fees. After those amounts are paid, Inkai then uses 80% of cash available for distribution each year to repay principal outstanding on the loan until it is repaid in full. The remaining 20% of cash available for distribution is paid to the owners.

We have also agreed to advance funds for Inkai's work on block 3 until the feasibility study is complete.

Licensing

Inkai received approval in principle to:

- increase annual production from blocks 1 and 2 to 3.9 million pounds of U_3O_8 (100% basis)
- amend the block 3 licence to provide for a five-year appraisal period to carry out delineation drilling, mineral resource estimation, construction and operation of a test leach facility, and to complete a feasibility study

Inkai is in the process of finalizing the approval process with an amendment to its resource use contract.

Block 3 exploration

Inkai continued delineation drilling throughout the year and began planning for engineering and construction of a test leach facility.

Profits from block 3 production are to be shared on a 50:50 basis with our partner, instead of based on our ownership interests.

Uranium conversion project

Under the guidance of the memorandum of understanding signed in 2007 (see *Doubling production* below), we continued to work with our partner Kazatomprom to evaluate joint UF_6 conversion opportunities. This work includes examining the feasibility of a number of options and locations based on strategic and economic considerations.

Planning for the future

Production

We expect our share of production to be 2.7 million pounds in 2011.

Block 3 exploration

In 2011 we expect to:

- continue delineation drilling
- begin developing infrastructure and engineering for the test leach facility

Doubling production

As part of our strategy to double production by 2018, we are working with our partner, Kazatomprom, to implement our 2007 non-binding memorandum of understanding. The memorandum:

- targets future annual production capacity at 10.4 million pounds (our share 5.7 million pounds). While the existing project ownership would not change, our share of the additional capacity under the memorandum would be 50%.
- contemplates studying the feasibility of constructing a uranium conversion facility as well as other potential collaborations in uranium conversion

To implement the increase, we need a binding agreement to finalize the terms of the memorandum, and various approvals from our partner and the government. We expect our ability to double annual uranium production at Inkai will be closely tied to the success of the uranium conversion project.

Managing our risks

Regulatory approvals

In 2010, Inkai received approval in principle to produce 3.9 million pounds per year (100% basis) and is seeking final approval with an amendment to the resource use contract.

Our 2011 and future annual production targets and mineral reserve estimates assume Inkai receives the necessary government approvals and the support of our partner, Kazatomprom. More specifically, Inkai must:

- obtain final approval to produce at an annual rate of 3.9 million pounds (our share 2.3 million pounds)
- obtain the necessary permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramp up production to an annual rate of 5.2 million pounds this year

We expect Inkai to receive all of the necessary permits and approvals to meet its 2011 and future annual production targets and we anticipate it will be able to ramp up production as noted above.

There is no certainty, however, Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not, or if the permits and approvals are delayed, then Inkai may be unable to achieve its 2011 and future annual production targets and we may have to recategorize some of Inkai's mineral reserves as resources.

Taxes

A new tax code became law in Kazakhstan on January 1, 2009, and the resource use contract was amended to adopt it. We do not expect the new tax code to have a material impact at this time, but the elimination of tax stabilization under the new tax code could be material in the future. Under the new tax code, Inkai's corporate income tax rate is 20% and the rate used to calculate the mineral extraction tax on uranium is 22%. See our annual information form for an overview of the changes brought about by the new tax code.

Supply of sulphuric acid

The supply of sulphuric acid has not been an issue for Inkai this year. However, given the importance of sulphuric acid to Inkai's mining operations, we continue to closely monitor its availability. Our production may be less than forecast if there is a shortage.

Political risk

Kazakhstan declared itself independent in 1991 after the dissolution of the Soviet Union. Our Inkai investment, and our plans to increase production, are subject to the risks associated with doing business in developing countries, which have significant potential for social, economic, political, legal, and fiscal instability. Kazakh laws and regulations are still developing and their application can be difficult to predict. To maintain and increase Inkai production, we need ongoing support, agreement and co-operation from our partner and the government.

The principal legislation governing subsoil exploration and mining activity in Kazakhstan is the Subsoil Use Law dated June 24, 2010. It replaces the Law on the Subsoil and Subsoil Use, dated January 27, 1996.

In general, Inkai's licences are governed by the version of the subsoil law that was in effect when the licences were issued in April 1999, and new legislation applies to Inkai only if it does not worsen Inkai's position. Changes to legislation related to national security, among other criteria, however, are exempt from the stabilization clause in the resource use contract. The Kazakh government interprets the national security exemption broadly.

With the new subsoil law, the government continues to weaken its stabilization guarantee. The government is broadly applying the national security exception to encompass security over strategic national resources.

The resource use contract contains significantly broader stabilization provisions than the new subsoil law, and these contract provisions currently apply to us.

To date, the new subsoil law has not had a significant impact on Inkai. We continue to assess the impact. See our annual information form for an overview of this change in law.

We also manage the risks listed on pages 54 and 55.

Uranium — development project



Cigar Lake

Cigar Lake is the world's second largest high-grade uranium deposit, with grades that are 100 times the world average. We are a 50% owner, and the mine operator, and expect the operation to use available capacity at our Rabbit Lake mill.

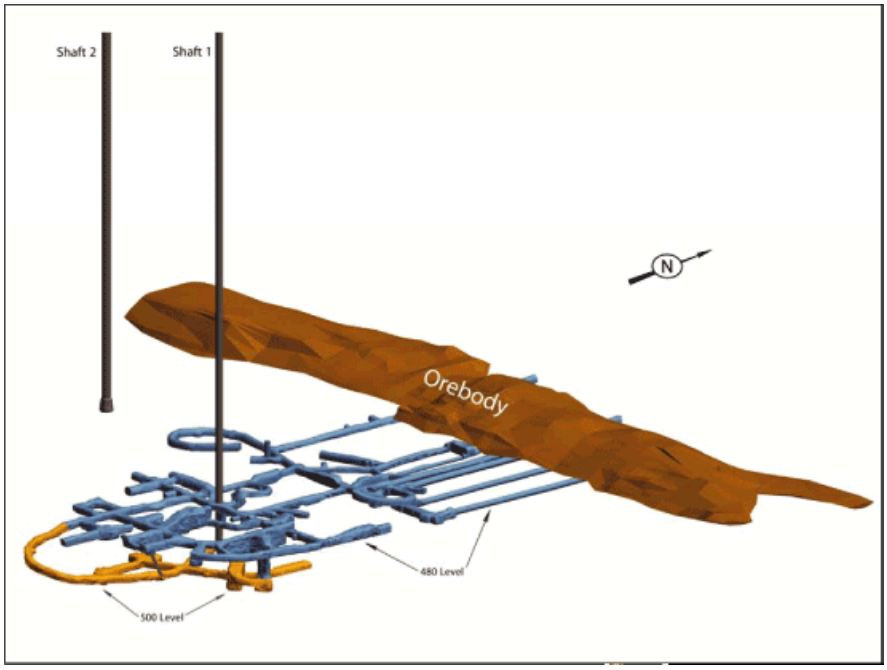
Cigar Lake, which is being developed, is one of our three material uranium properties.

Location	Saskatchewan, Canada
Ownership	50.025%
End product	U_3O_8
Deposit type	underground
Estimated reserves (our share)	104.7 million pounds (proven and probable)
Average reserve grade	U_3O_8 — 17.04%
Estimated resources (our share)	0.6 million pounds (measured and indicated) 66.8 million pounds (inferred)
Mining method	jet boring
Target production date	mid-2013
Target annual production (our share)	9 million pounds after rampup
Estimated decommissioning cost	$27.7 million (to the end of construction)

Background

Development

We began developing the Cigar Lake underground mine in 2005, but development was delayed due to water inflows (two in 2006 and one in 2008). The first inflow flooded shaft 2, while it was under construction. The second inflow flooded the underground development and we began remediation late in 2006. In 2008, another inflow interrupted the dewatering of the underground development. We sealed the inflows and completed dewatering of shafts 1 and 2. In 2010, we continued remediation of the underground.



Mining method

We will use a number of innovative methods and techniques to mine the Cigar Lake deposit:

- *Bulk freezing* — The sandstone that overlays the deposit and basement rocks is water-bearing, with large volumes of water under significant pressure. We will freeze the ore zone and surrounding rock in the area to be mined, to prevent water from entering the mine and to help stabilize weak rock formations.

  In the past, bulk freezing has been done from underground. In 2010, however, we tested and began to implement an innovative surface freeze strategy, which we expect will provide the following benefits:

- reduce risk to the production schedule by advancing the availability of frozen ground and simplifying construction activities underground by moving some of the freezing infrastructure to surface
- move up to 10 million pounds forward in the production schedule
- improve mining costs and economics of the project

  We expect the capital cost for surface freezing will be $80 to $85 million (100% basis). Our plan is to use a hybrid freezing approach. We will use surface freezing to shorten the rampup period and utilize underground freezing for the longer term development of the mine.

- *Jet boring* — After many years of test mining, we selected jet boring, a non-entry mining method, which we have developed and adapted specifically for this deposit. This method is new to the uranium mining industry. Overall, our initial test program was a success and met all initial objectives. This method, however, has not been proven at full production. As we ramp up production, there may be some technical challenges, which could affect our production plans.

We are confident we will be able to solve challenges that may arise, but failure to do so would have a significant impact on our business.

Milling

For approximately two years after mining begins, we expect all Cigar Lake ore to be processed at Areva's McClean Lake JEB mill. After production ramps up to planned full capacity, the JEB mill is expected to ship a portion of the uranium solution from milling of Cigar Lake ore to the Rabbit Lake mill for processing.

2010 update

During the year, we:

- completed dewatering the underground development
- substantially completed cleanup, inspection, assessment and securing of the underground development areas
- we prepared the ground around shaft 2 for freezing in preparation to resume shaft sinking
- began implementing a surface freeze strategy we expect will shorten the rampup period for the project by bringing forward uranium production into the early years and improve mining costs and project economics
- increased installed pumping capacity
- completed backfilling of the 420 and 465 metre levels
- resumed underground development in the south end of the mine
- completed the 2010 surface drilling program

Costs

As of December 31, 2010, we had:

- invested $492 million for our share of the construction costs to develop Cigar Lake
- invested $262 million related to test mining and infrastructure development (prior to our 2005 development decision)
- expensed $81 million in remediation expenses, including about $17 million in 2010

Exploration

We initiated a surface drilling program, which we expect will further delineate mineral resources to the east and west of current reserves.

Planning for the future

In 2011, we expect to:

- finish restoring all remaining underground mine systems, infrastructure and underground development areas
- complete the work to secure the mine
- resume underground construction
- complete the sinking of shaft 2
- complete the surface ore loadout facilities
- procure additional equipment for the jet boring system
- work to obtain regulatory approval of the environmental assessment that will allow the release of treated water directly to Seru Bay of Waterbury Lake
- work to obtain regulatory approval for the Cigar Lake mine plan

Technical report

In the technical report filed in 2010, we reported $912 million (100% basis) as our expected share of the total capital costs to complete the Cigar Lake project. This included completion of the underground development and surface construction, and completion of modifications at the Rabbit Lake and McClean Lake mills.

Later in 2011, we plan to issue a new technical report for Cigar Lake to reflect developments during 2010, including our decision to proceed with the surface freeze strategy. In the report, we will update our estimates including our capital cost estimate and production rampup schedule.

Production

We are targeting initial production to begin in mid-2013.

The costs to complete Cigar Lake and our target dates for securing the mine and for initial production are forward-looking information. They are based on the assumptions and subject to the material risks discussed on pages 2 and 3, and specifically on the assumptions and risks listed here.

Assumptions

- natural phenomena, an equipment failure or other causes do not result in a material delay or disruption in our plans
- there are no additional water inflows
- the seals or plugs used for previous water inflows do not fail
- there are no labour disputes or shortages
- we obtain contractors, equipment, operating parts, supplies, and regulatory permits and approvals when we need them
- our mine plans are achieved, our processing plants are available and function as designed, sufficient tailings capacity is available and our mineral reserve estimates are accurate

Material risks

- an unexpected geological, hydrological or underground condition, such as an additional water inflow, further delays our progress
- we cannot obtain or maintain the necessary regulatory permits or approvals
- natural phenomena, labour disputes, equipment failure, delay in obtaining the required contractors, equipment, operating parts or supplies, or other reasons cause a material delay or disruption in our plans
- our mining plans change or do not succeed, our processing plants are not available or do not function as designed, sufficient tailings capacity is not available and our mineral reserve estimates are not accurate

Managing our risks

Cigar Lake is a challenging deposit to develop and mine. These challenges include control of groundwater, weak rock formations, radiation protection, water inflow, mining method uncertainty, regulatory approvals, tailings capacity, surface and underground fires and other mining-related challenges. To reduce this risk, we are applying our operational experience and the lessons we have learned about water inflows at McArthur River and Cigar Lake.

The greatest risk to development and production is from water inflows. The 2006 and 2008 water inflows were significant setbacks.

The consequences of another water inflow at Cigar Lake would depend on its magnitude, location and timing, but could include a significant delay in Cigar Lake's remediation, development or production, a material increase in costs and a loss of mineral reserves. Although we are taking the following steps to mitigate the risks of water inflow, there can be no guarantee that these will be successful:

Bulk freezing

Two of the primary challenges in mining the deposit are control of groundwater and ground support. Bulk freezing reduces but does not eliminate the risk of water inflows.

Mine development

Our approach is to carry out extensive grouting and careful placement of mine development away from known groundwater sources whenever possible. In addition, we assess all planned mine development for relative risk, and apply extensive additional technical and operating controls for all higher risk development.

Pumping capacity and treatment limits

We increased our pumping capacity this year to meet our standard for this project, which is to secure pumping capacity of at least one and a half times the estimated maximum inflow.

We believe we have sufficient pumping, water treatment and surface storage capacity to handle the estimated maximum inflow.

We also manage the risks listed on pages 54 and 55.

Uranium — projects under evaluation

Kintyre

Kintyre, which we acquired with a partner in 2008, adds potential for low-cost production and diversifies our geographic reach and deposit types. We are the operator.

Location	Western Australia
Ownership	70%
End product	U_3O_8
Deposit type	open pit

Background

In August 2008, we paid $346 million (US) to acquire a 70% interest in Kintyre.

2010 update

This year we:

- began the process for negotiating a mine development agreement with the Martu, the native land title holders for this property
- built a construction camp to support the prefeasibility assessment of the project
- completed a delineation drilling program
- carried out metallurgical testing to define the milling process
- initiated mining and infrastructure studies for the prefeasibility study
- initiated a hydrogeological drilling program to confirm process water supply
- carried out environmental baseline studies
- submitted the environmental referral document to initiate the environmental assessment process and submitted the environmental scoping document
- trained and hired a significant number of Martu people

Planning for the future

Our plan for 2011 is to keep moving the project towards a production decision. We expect to:

- generate a National Instrument 43-101 mineral resource estimate
- complete a memorandum of understanding for a mine development agreement with the Martu
- carry out further exploration drilling to test potential extensions of the deposit
- submit an environmental review and management program
- complete the prefeasibility study and decide whether to proceed to the feasibility stage

Managing the risks

To successfully develop this project, we need a positive feasibility study, regulatory approval and an agreement with the Martu. We also manage the risks listed on pages 54 and 55.

Uranium — projects under evaluation

Millennium

Millennium is a uranium deposit in northern Saskatchewan that we expect will use the mill at Key Lake. We are the operator.

Location	Saskatchewan, Canada
Ownership	42%
End product	U_3O_8
Deposit type	underground
Estimated resources (our share)	21.4 million pounds (indicated) 4.3 million pounds (inferred)

Background

The Millennium deposit was discovered in 2000. The deposit was delineated through geophysical survey and drilling work between 2000 and 2007.

2010 update

This year we:

- completed our mine design with positive results achieved
- continued work on the environmental assessment, preparing us to submit the environmental impact statement late in 2011 or early 2012

Planning for the future

Our plan for 2011 is to keep moving the project towards a production decision. We expect to:

- complete the environmental assessment work and submit the environmental impact study to the regulators late in 2011 or early 2012
- undertake additional studies and design work required to advance the project

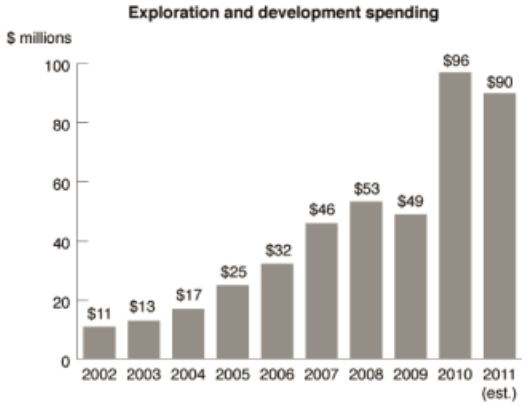
Managing the risks

The English River First Nation (ERFN) has selected surface lands covering the Millennium deposit in a claim for Treaty Land Entitlement (TLE). The Saskatchewan government has rejected the selection, but the ERFN has challenged the government's decision in the courts. The TLE process does not affect our mineral rights, but it could have an impact on the surface rights and benefits we ultimately negotiate as part of the development of this deposit.

We also manage the risks listed on pages 54 and 55.

Uranium — exploration

Exploration is key to ensuring our long-term growth, and since 2002 we have more than tripled our annual investment.



2010 update

Brownfield exploration

Brownfield exploration is uranium exploration near our existing operations, and includes expenses for advanced exploration projects where uranium mineralization is being defined.

We spent $11 million in five brownfield exploration projects, and $48 million for resource delineation at Kintyre and Inkai block 3.

Regional exploration

We spent about $37 million in regional exploration programs (including support costs). Saskatchewan was the largest region, followed by Australia, northern Canada, Asia, and South America.

We own a 30% interest in the Phoenix deposit, part of the Wheeler River joint venture in Saskatchewan, operated by 60% owner Denison Mines. In 2010, an initial estimate of 36 million pounds indicated mineral resources (100%) for zone A, the largest of four known mineralized zones of the deposit, was announced.

Plans for 2011

We plan to spend approximately $90 million on uranium exploration in 2011 as part of our long-term strategy. This includes activities at our projects under evaluation.

Brownfield exploration

About $9 million will be spent on five brownfield exploration projects in the Athabasca Basin and Australia. Our expenditures on projects under evaluation are expected to total $22 million, with the largest amounts spent on Kintyre and on further delineation of the Inkai block 3 resource.

Regional exploration

We expect to spend about $60 million on 54 projects worldwide, the majority of which are at drill target stage. Among the larger expenditures planned are $8 million on two adjacent projects in Nunavut, $5 million directed towards new targets in South Australia and Argentina, and a $4 million expenditure on the Wellington Range project in Northern Territory, Australia.

Fuel services — refining

Blind River refinery

Blind River is the world's largest commercial uranium refinery, refining U_3O_8 from mines around the world into UO_3.

Location	Ontario, Canada
Ownership	100%
End product	UO_3
ISO certification	ISO 14001 certified
Licensed capacity	approved: 18 million kgU as UO_3 per year application: 24 million kgU as UO_3 per year
Estimated decommissioning cost	$36 million

2010 update

Production

Our Blind River refinery produced 12.4 million kgU of UO_3, in line with our forecast. This ensured that SFL maintained its contractual inventories and Port Hope met its production requirements.

Managing our risks

We manage the risks listed on pages 54 and 55.

Fuel services — conversion and fuel manufacturing

We control about 35% of western world UF_6 capacity.

Port Hope conversion services

Port Hope is the only uranium conversion facility in Canada, and one of only four in the western world. It is the only commercial supplier of UO_2 for Canadian-made Candu reactors.

Location	Ontario, Canada
Ownership	100%
End product	UF_6, UO_2
ISO certification	ISO 14001 certified
Licensed capacity	12.5 million kgU as UF_6 per year 2.8 million kgU as UO_2 per year
Estimated decommissioning cost	$96 million

Cameco Fuel Manufacturing Inc. (CFM)

CFM produces fuel bundles and reactor components for Candu reactors.

Location	Ontario, Canada
Ownership	100%
End product	Candu fuel bundles and components
ISO certification	ISO 9001 certified
Licensed capacity	1.2 million kgU as UO_2 as finished bundles
Estimated decommissioning cost	$18 million

Springfields Fuels Ltd. (SFL)

SFL is the newest conversion facility in the world. We contract almost all of its capacity through a toll-processing agreement to 2016.

Location	Lancashire, UK
Toll-processing agreement	annual conversion of 5 million kgU as UO_3 to UF_6
Licensed capacity	6.0 million kgU as UF_6 per year

2010 update

Production

Fuel services production was 15.4 million kgU in 2010, in line with our target of 15 million to 16 million kgU. Production was 25% higher than in 2009 due to the routine operation of the Port Hope UF_6 plant, which did not operate for most of the first half of 2009.

Port Hope conversion facility cleanup and modernization (Vision 2010)

We submitted the draft environmental impact statement for review by the regulators in December.

Collective agreement

Unionized employees at the Port Hope conversion facility voted to accept a new, three-year collective agreement. The agreement expires June 30, 2013.

Community outreach

We continued to strengthen our community outreach program in Port Hope by:

- holding a series of community forums
- making presentations to municipal council
- reaching out using community newsletters, newspaper advertising, public displays, open houses and a website dedicated to the Port Hope community

Public opinion research shows we have a strong level of local support.

Planning for the future

Production

We expect total production to be between 15 million and 16 million kgU in 2011.

Port Hope conversion facility cleanup and modernization (Vision 2010)

In 2011, we expect to:

- continue with the environmental assessment process for this project
- finalize the environmental impact statement

Managing our risks

We manage the risks listed on pages 54 and 55.

Electricity

Bruce Power Limited Partnership (BPLP)

BPLP leases and operates four Candu nuclear reactors that have the capacity to provide about 15% of Ontario's electricity.

Location	Ontario, Canada
Ownership	31.6%
ISO certification	ISO 14001 certified
Expected reactor life	2018 to 2021
Term of lease	2018 — right to extend for up to 25 years
Generation capacity	3,260 MW

Background

We are the fuel procurement manager for BPLP's four nuclear reactors and for Bruce A Limited Partnership's (BALP) two operating reactors.

We provide 100% of BPLP's uranium concentrates and have agreed to supply BALP with the majority of its future uranium concentrates. Sales to BPLP and BALP are also a substantial portion of our fuel manufacturing business and an important part of our UO_2 business.

2010 update

Output

BPLP's capacity factor was 91%.

Collective agreements

The collective agreements with the Power Workers' Union and the Society of Energy Professionals expired in December. BPLP has reached a tentative agreement with the Power Workers' Union and discussions with the Society are underway.

Planning for the future

Output

We expect the capacity factor to be 89% in 2011 and actual output to be about 2% lower than 2010.

Managing our risks

BPLP manages the unique risks associated with operating Candu reactors. The amount of electricity generated, and the cost of that generation, could vary materially from forecast if planned outages are significantly longer than planned, or there are many unplanned outages, either for maintenance, regulatory requirements, equipment malfunction or due to other causes.

BPLP also manages the risks listed on pages 54 and 55.

Mineral reserves and resources

Our mineral reserves and resources are the foundation of our company and fundamental to our success.

We have interests in a number of uranium properties. The tables in this section show our estimates of the reserves, measured and indicated resources and inferred resources at those properties. However, only three of the properties listed in those tables are material uranium properties for us: McArthur River and Inkai, which are being mined, and Cigar Lake, which is being developed.

We estimate and disclose mineral reserves and resources in five categories, using the definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum, and in compliance with Canadian *National Instrument 43-101 — Standards of Disclosure for Mineral Projects (NI 43-101)*, developed by the Canadian Securities Administrators. You can find out more about these categories at www.cim.org.

About mineral resources

Mineral resources do not have demonstrated economic viability, but have reasonable prospects for economic extraction. They fall into three categories: measured, indicated and inferred. Our reported mineral resources are exclusive of mineral reserves.

- Measured and indicated mineral resources are sufficiently well defined that we can estimate them with enough confidence to apply technical and economic parameters and evaluate the economic viability of the deposit.
- *measured resources*: we can confirm geological and grade continuity to carry out production planning.
- *indicated resources*: we can reasonably assume geological and grade continuity to carry out mine planning.
- Inferred mineral resources are estimated using limited information. We do not have enough confidence to evaluate their economic viability in a meaningful way. You should not assume that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

About mineral reserves

Mineral reserves are measured and indicated mineral resources that can be mined economically at the time of reporting. They fall into two categories:

- *proven reserves*: economic extraction of measured resources is demonstrated by at least a preliminary feasibility study
- *probable reserves*: economic extraction of measured and/or indicated resources is demonstrated by at least a preliminary feasibility study

We use current geological models, an average uranium price of $56.50 (US) per pound U_3O_8, and current or projected operating costs and mine plans to estimate our mineral reserves, allowing for dilution and mining losses. We apply our standard data verification process for every estimate.

Changes this year

Our share of proven and probable mineral reserves went from 479 million pounds U_3O_8 at the end of 2009 to 476 million pounds at the end of 2010. The change was mostly the result of:

- mining and milling activities, which used 24 million pounds
- conversion of mineral resources to reserves from drilling and mine design updates at McArthur River, Rabbit Lake and Smith Ranch-Highland
- conversion of mineral reserves to resources at Inkai due to the production ramp up schedule and increased leaching recovery applied to a limited annual production rate

Measured and indicated mineral resources increased from 140 million pounds U_3O_8 at the end of 2009 to 142 million pounds at the end of 2010. The change was mostly the result of:

- addition of mineral resources at the new Phoenix deposit
- conversion of mineral resources to reserves at McArthur River and Rabbit Lake

- conversion of mineral reserves to resources at Inkai

At the end of 2010, our share of inferred mineral resources was nearly 357 million pounds U_3O_8 — a net gain of 3 million pounds, which came mostly from the new Powell zone at Rabbit Lake and drilling and new mining plans at McArthur River zone 4 south.

Qualified persons

The technical and scientific information discussed in this MD&A, including mineral reserve and resource estimates, for our material properties (McArthur River/Key Lake, Inkai and Cigar Lake) were prepared by, or under the supervision of, individuals who are qualified persons for the purposes of NI 43-101:

McArthur River/Key Lake

- Alain G. Mainville, director, mineral resources management, Cameco
- David Bronkhorst, vice-president, Saskatchewan mining south, Cameco
- Greg Murdock, technical superintendent, McArthur River, Cameco
- Les Yesnik, general manager, Key Lake, Cameco
- Lorne D. Schwartz, chief metallurgist, major projects —technical services, Cameco

Cigar Lake

- Alain G. Mainville, director, mineral resources management, Cameco
- C. Scott Bishop, principal mine engineer, major projects — technical services,Cameco
- Grant J.H. Goddard, vice-president, Saskatchewan mining north, Cameco
- Lorne D. Schwartz, chief metallurgist, major projects — technical services, Cameco

Inkai

- Alain G. Mainville, director, mineral resources management, Cameco
- Charles J. Foldenauer, operations director, JV Inkai

Important information about mineral reserve and resource estimates

Although we have carefully prepared and verified the mineral reserve and resource figures in this document, the figures are estimates, based in part on forward-looking information.

Estimates are based on our knowledge, mining experience, analysis of drilling results, the quality of available data and management's best judgment. They are, however, imprecise by nature, may change over time, and include many variables and assumptions including:

- geological interpretation
- extraction plans
- commodity prices
- recovery rates
- operating and capital costs

There is no assurance that the indicated levels of uranium will be produced, and we may have to re-estimate our mineral reserves based on actual production experience. Changes in the price of uranium, production costs or recovery rates could make it unprofitable for us to operate or develop a particular site or sites for a period of time. See page 1 for information about forward-looking information.

Please see our mineral reserves and resources section of our annual information form for the specific assumptions, parameters and methods used for McArthur River, Inkai and Cigar Lake mineral reserve and resource estimates.

Important information for US investors

While the terms measured, indicated and inferred mineral resources are recognized and required by Canadian securities regulatory authorities, the US Securities and Exchange Commission (SEC) does not recognize them. Under US standards, mineralization may not be classified as a 'reserve' unless it has been determined at the time of reporting that the mineralization could be economically and legally produced or extracted. US investors should not assume that:

- any or all of a measured or indicated mineral resource will ever be converted into proven or probable mineral reserves

- any or all of an inferred mineral resource exists or is economically or legally mineable, or will ever be upgraded to a higher category. Under Canadian securities regulations, estimates of inferred resources may not form the basis of feasibility or prefeasibility studies. Inferred resources have a great amount of uncertainty as to their existence and economic and legal feasibility.

The requirements of Canadian securities regulators for identification of ‘reserves’ are also not the same as those of the SEC, and mineral reserves reported by us in accordance with Canadian requirements may not qualify as reserves under SEC standards.

Other information concerning descriptions of mineralization, mineral reserves and resources may not be comparable to information made public by companies that comply with the SEC’s reporting and disclosure requirements for US domestic mining companies, including Industry Guide 7.

Mineral reserves

As at December 31, 2010 (100% basis — only the second last column shows Cameco's share)

Proven and probable (tonnes in thousands; pounds in millions)

		Proven			Probable			Total mineral reserves				
Property	**Mining method**	**Tonnes**	**Grade %U_3O_8**	**Content (lbs U_3O_8)**	**Tonnes**	**Grade %U_3O_8**	**Content (lbs U_3O_8)**	**Tonnes**	**Grade %U_3O_8**	**Content (lbs U_3O_8)**	**Cameco's share of content (lbs U_3O_8)**	**Estimated metallurgical recovery (%)**
McArthur River	underground	458.5	17.29	174.8	540.2	13.49	160.7	998.7	15.24	335.5	234.2	98.7
Cigar Lake	underground	130.5	25.62	73.7	426.8	14.41	135.6	557.3	17.04	209.3	104.7	98.5
Rabbit Lake	underground	39.6	0.62	0.5	1,478.1	0.77	25.0	1,517.7	0.76	25.5	25.5	96.7
Key Lake	open pit	61.9	0.52	0.7				61.9	0.52	0.7	0.6	98.7
Inkai	ISR	4,817.2	0.08	8.9	75,810.0	0.07	112.7	80,627.2	0.07	121.6	72.9	85.0
Gas Hills-Peach	ISR				6,403.8	0.13	19.0	6,403.8	0.13	19.0	19.0	72.0
North Butte-Brown Ranch	ISR				3,803.2	0.10	8.2	3,803.2	0.10	8.2	8.2	80.0
Smith Ranch-Highland	ISR	1,243.4	0.11	3.1	2,707.7	0.08	4.9	3,951.1	0.09	8.0	8.0	80.0
Crow Butte	ISR	922.2	0.11	2.3	282.2	0.13	0.8	1,204.4	0.12	3.1	3.1	85.0
Total		**7,673.3**	—	**264.0**	**91,452.0**	—	**466.9**	**99,125.3**	—	**730.9**	**476.2**	

Notes

See page 60 for a discussion of the change in the average ore grade for mineral reserves at McArthur River.

ISR — *in situ recovery*

Estimates in the table above:

- use an average uranium price of $56.50 (US)/lb U_3O_8
- are based on the average exchange rate at December 31, 2010 ($1.00 US=$0.99 Cdn)

Totals may not add up due to rounding.

Except for the possible Inkai permitting issue referred to below, we do not expect these mineral reserve estimates to be materially affected by environmental, permitting, legal, taxation, socio-economic, political or marketing issues.

Metallurgical recovery

We report mineral reserves as the quantity of contained ore supporting our mining plans, and include an estimate of the metallurgical recovery for each uranium property. Metallurgical recovery is an estimate of the amount of valuable product that can be physically recovered by the metallurgical extraction process, and is calculated by multiplying quantity of contained metal (content) by the estimated metallurgical recovery percentage. Our share of uranium in the table above is before accounting for estimated metallurgical recovery.

Estimates for Inkai

In 2010, Inkai received approval in principle to produce 3.9 million pounds per year (100% basis) and is seeking final approval with an amendment to the resource use contract.

Our 2011 and future annual production targets and mineral reserve estimates assume Inkai receives the necessary government approvals and the support of our partner, Kazatomprom. More specifically, Inkai must:

- obtain final approval to produce at an annual rate of 3.9 million pounds (our share 2.3 million pounds)
- obtain the necessary permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramp up production to an annual rate of 5.2 million pounds this year

We expect Inkai to receive all of the necessary permits and approvals to meet its 2011 and future annual production targets and we anticipate it will be able to ramp up production as noted above.

There is no certainty, however, Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not, or if the permits and approvals are delayed, then Inkai may be unable to achieve its 2011 and future annual production targets and we may have to re-categorize some of Inkai's mineral reserves as resources.

Mineral resources

As at December 31, 2010 (100% — only the last column shows Cameco's share)

Measured and indicated (tonnes in thousands; pounds in millions)

		Measured			Indicated			Total measured and indicated			
Property	Mining method	Tonnes	Grade % U_3O_8	Content (lbs U_3O_8)	Tonnes	Grade % U_3O_8	Content (lbs U_3O_8)	Tonnes	Grade % U_3O_8	Content (lbs U_3O_8)	Cameco's share (lbs U_3O_8)
McArthur River	underground	85.9	6.28	11.9	22.2	10.23	5.0	108.1	7.09	16.9	11.8
Cigar Lake	underground	8.4	2.07	0.4	15.6	2.35	0.8	24.0	2.27	1.2	0.6
Rabbit Lake	underground				348.0	0.52	4.0	348.0	0.52	4.0	4.0
Dawn Lake	open pit, underground				347.0	1.69	12.9	347.0	1.69	12.9	7.4
Millennium	underground				507.8	4.55	50.9	507.8	4.55	50.9	21.4
Phoenix	underground				89.9	17.98	35.6	89.9	17.98	35.6	10.7
Tamarack	underground				183.8	4.42	17.9	183.8	4.42	17.9	10.3
Inkai	ISR				18,386.3	0.08	30.5	18,386.3	0.08	30.5	18.3
Gas Hills-Peach	ISR	1,964.2	0.08	3.4	1,418.2	0.07	2.3	3,382.4	0.08	5.7	5.7
North Butte-Brown Ranch	ISR	762.1	0.08	1.4	4,012.0	0.07	6.0	4,774.1	0.07	7.4	7.4
Smith Ranch-Highland	ISR	2,079.1	0.11	4.9	13,906.5	0.06	17.6	15,985.6	0.06	22.5	22.5
Crow Butte	ISR				2,466.2	0.21	11.2	2,466.2	0.21	11.2	11.2
Ruby Ranch	ISR				2,215.3	0.08	4.1	2,215.3	0.08	4.1	4.1
Ruth	ISR				1,080.5	0.09	2.1	1,080.5	0.09	2.1	2.1
Shirley Basin	ISR	89.2	0.16	0.3	1,638.2	0.11	4.1	1,727.4	0.12	4.4	4.4
Total		**4,988.9**	—	**22.3**	**46,637.5**	—	**205.0**	**51,626.4**	—	**227.3**	**141.9**

Inferred (tonnes in thousands; pounds in millions)

Property	Mining method	Tonnes	Grade % U_3O_8	Content (lbs U_3O_8)	Cameco's share (lbs U_3O_8)
McArthur River	underground	506.1	13.46	150.2	104.8
Cigar Lake	underground	480.4	12.61	133.5	66.8
Rabbit Lake	underground	369.4	1.26	10.2	10.2
Millennium	underground	217.8	2.12	10.2	4.3
Phoenix	underground	23.8	7.27	3.8	1.1
Tamarack	underground	45.6	1.02	1.0	0.6
Inkai	ISR	254,696.0	0.05	255.1	153.0
Gas Hills-Peach	ISR	861.5	0.07	1.3	1.3
North Butte-Brown Ranch	ISR	640.6	0.06	0.9	0.9
Smith Ranch-Highland	ISR	6,370.1	0.05	6.6	6.6
Crow Butte	ISR	2,349.4	0.11	5.6	5.6
Ruby Ranch	ISR	56.2	0.14	0.2	0.2
Ruth	ISR	210.9	0.08	0.4	0.4
Shirley Basin	ISR	508.0	0.10	1.1	1.1
Total		**267,335.8**	—	**580.1**	**356.9**

Notes

ISR — *in situ recovery*

Mineral resources do not include amounts that have been identified as mineral reserves.

Mineral resources do not have demonstrated economic viability. Totals may not add up due to rounding.

Additional information

Related party transactions

We buy significant amounts of goods and services for our Saskatchewan mining operations from northern Saskatchewan suppliers to support economic development in the region. One of these suppliers is Points Athabasca Contracting Ltd. (PACL). In 2010, we paid PACL $38 million for construction and contracting services (2009 — $30 million). These transactions were carried out in the normal course of business. A member of Cameco's board of directors is the president of PACL.

Critical accounting estimates

Because of 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. We believe the following critical accounting estimates reflect the more significant judgments used in the preparation of our financial statements.

Decommissioning and reclamation

We are required to estimate the cost of decommissioning and reclamation for each operation, but we normally do not incur these costs until an asset is nearing the end of its useful life. Regulatory requirements and decommissioning methods could change during that time, making our actual costs different from our estimates. A significant change in these costs or in our mineral reserves could have a material impact on our net earnings and financial position.

Property, plant and equipment

We depreciate property, plant and equipment primarily using the unit of production method, where the carrying value is reduced as resources are depleted. A change in our mineral reserves would change our depreciation expenses, and such a change could have a material impact on amounts charged to earnings.

We assess the carrying values of property, plant and equipment and goodwill every year, or more often if necessary. If we determine that we cannot recover the carrying value of an asset or goodwill, we write off the unrecoverable amount against current earnings. We base our assessment of recoverability on assumptions and judgments we make about future prices, production costs, our requirements for sustaining capital and our ability to economically recover mineral reserves. A material change in any of these assumptions could have a significant impact on the potential impairment of these assets.

Taxes

When we are preparing our financial statements, we estimate taxes in each jurisdiction we operate in, taking into consideration different tax rates, non-deductible expenses, valuation allowances, changes in tax laws and our expectations for future results.

We base our estimates of future income taxes on temporary differences between the assets and liabilities we report in our financial statements, and the assets and liabilities determined by the tax laws in the various countries we operate in. We record future income taxes in our financial statements based on our estimated future cash flows, which includes estimates of non-deductible expenses. If these estimates are not accurate, there could be a material impact on our net earnings and financial position.

Controls and procedures

We have evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of December 31, 2010, as required by the rules of the US Securities and Exchange Commission and the Canadian Securities Administrators.

Management, including our chief executive officer and our chief financial officer, supervised and participated in the evaluation, and concluded that our disclosure controls and procedures are effective to provide a reasonable level of assurance that the information we are required to disclose in reports we file or submit under securities laws is recorded, processed, summarized and reported accurately, and within the time periods specified. It should be noted that while the CEO and CFO believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect the disclosure controls and procedures or internal control over financial reporting to be capable of preventing all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management, including our chief executive officer and our chief financial officer, is responsible for establishing and maintaining internal control over financial reporting and conducted an evaluation of the effectiveness of our internal control over financial reporting based on the *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2010. We have not made any change to our internal control over financial reporting during the 2010 fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

New accounting pronouncements

International Financial Reporting Standards (IFRS)

The Accounting Standards Board requires Canadian publicly accountable enterprises to adopt IFRS effective January 1, 2011. Although IFRS has a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

We have developed a three-phase implementation plan in order to ensure compliance and a smooth transition.

Senior management and the board's audit committee are actively involved in the process. A major public accounting firm has been engaged to provide technical accounting advice and project management guidance.

Phase 1: Preliminary study and diagnostic — complete

During this phase, we:

- completed a high-level impact assessment
- prioritized areas to evaluate in phase 2
- developed a detailed plan for convergence and implementation
- determined which information technology systems need to be modified to meet IFRS reporting requirements. We tested and implemented systems modifications by June 30, 2009.

Phase 2: Detailed component evaluation — complete

During this phase, we:

- assessed the impact of the adoption of IFRS on our results of operations, financial position and financial statement disclosures
- developed a detailed, systematic gap analysis of accounting and disclosure differences between Canadian GAAP and IFRS, which will help us make final decisions about accounting policies and our overall conversion strategy
- specified all changes we needed to make to existing business processes

Phase 3: Embedding — in progress

During this final phase, we will:

- carry out the changes to our business processes
- receive the audit committee's approval of our accounting policy changes

- complete the training process for our audit committee, board members and staff
- communicate the impact of the IFRS transition to external stakeholders
- collect the financial information we need to create our 2010 and 2011 financial statements under IFRS
- receive the board's approval of the new statements

Progress update

We evaluated key accounting policy alternatives and implementation throughout the year and have completed our analysis of the accounting effects of adopting IFRS. We have quantified the items in our January 1, 2010 opening balances and earnings for the three-month periods ended March 31, 2010, June 30, 2010 and September 30, 2010 under IFRS, subject to changes in IFRS standards or their interpretation. See *Opening statement of financial position and interim period financial results under IFRS* for more information about the most significant differences expected between our Canadian GAAP and IFRS balances.

Senior management and the audit committee have approved our IFRS accounting policies, but IFRS standards are evolving and are subject to change going forward. The International Accounting Standards Board (IASB) has several projects underway that could affect the differences between Canadian GAAP and IFRS. For example, we expect that the standards for consolidation, liabilities, discontinued operations, financial instruments, employee benefits and joint ventures could change in the near term, and that IFRS for income taxes may change at a later date. It is also possible that new guidance regarding accounting for borrowing costs may be issued. We have been monitoring and evaluating these changes and will continue to do so.

In the fourth quarter of 2010, we changed our choice in accounting policy relating to joint ventures. Previously, we had planned to use the equity method to account for our interests in jointly controlled enterprises. This choice was made based on the expectation that a new accounting standard requiring the use of the equity method for such joint venture interests would take effect in the near term. However, the anticipated standard has not been issued and we have opted to continue to proportionately account for all joint venture interests.

We currently expect IFRS will affect our consolidated financial statements in the following key areas:

Asset impairment

We use a two-step approach to test for impairment under Canadian GAAP:

- We compare the carrying value of the asset with undiscounted future cash flows to see whether there is an impairment.
- If there is an impairment, we measure it by comparing the carrying value of the asset with its fair value.

International Accounting Standard (IAS) 36, Impairment of Assets, takes a one-step approach:

- Compare the carrying value of the asset with the higher of its fair value less costs to sell or its value in use.

The difference in accounting for asset impairment could lead to greater volatility in reported earnings in future periods. The value-in-use test under IFRS uses discounted future cash flows, increasing the likelihood of asset impairment compared to the test under Canadian GAAP, which uses undiscounted cash flow. IFRS also requires companies to reverse impairment losses (for everything except goodwill) if an impairment is reduced due to a change in circumstances. Canadian GAAP does not allow companies to reverse impairment losses. As at January 1, 2011, we have not recorded any impairment charges under Canadian GAAP. We have, however, under IFRS reversed portions of impairment charges previously recorded under Canadian GAAP. See *Opening statement of financial position and interim period financial results under IFRS* for more information.

Employee benefits

We amortize past service costs on a straight-line basis over the expected average remaining service life of the plan participants under Canadian GAAP.

IAS 19, *Employee Benefits*, requires companies to expense the past service cost component of defined benefit plans on an accelerated basis. Vested past service costs must be expensed immediately. Unvested past service costs must be recognized on a straight-line basis until the benefits vest. Companies will also recognize actuarial gains and losses directly in equity rather than through profit or loss.

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, also allows companies to recognize all cumulative actuarial gains and losses in retained earnings at the transition date and we have done so.

Share-based payments

We measure cash-settled, share-based payments to employees based on the intrinsic value of the award under Canadian GAAP. IFRS 2, *Share-Based Payments*, requires companies to measure payments at the award's fair value, both initially and at each reporting date.

We expect no material impact on our financial results due to this difference.

Provisions (including asset retirement obligations)

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires companies to recognize a provision when:

- there is a present obligation due to a past transaction or event
- it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and
- the obligation can be reliably estimated

Canadian GAAP uses the term 'likely' in its recognition criteria, which is a higher threshold than 'probable', so some contingent liabilities may be recognized under IFRS that were not recognized under Canadian GAAP.

IFRS also measures provisions differently. For example:

- When there is a range of equally possible outcomes, IFRS uses the midpoint of the range as the best estimate, while Canadian GAAP uses the low end of the range.
- Under IFRS, material provisions are discounted to their present value.

Joint ventures

We proportionately account for interests in jointly controlled enterprises, such as our interest in BPLP, under Canadian GAAP. The IASB has indicated that it expects to issue a new standard in 2011 that will replace IAS 31, *Interests in Joint Ventures*. It is considering Exposure Draft 9, *Joint Arrangements* (ED 9), which proposes that an entity recognize its interest in a joint controlled enterprise using the equity method. It is uncertain when the new standard will become effective. Until then, we have elected under the current IFRS standard to continue to use the proportionate consolidation method to account for our interests in jointly controlled enterprises.

Income taxes

Under Canadian GAAP, we cannot recognize deferred tax for a temporary difference that arises from intercompany transactions. We record the taxes we pay or recover in these transactions as an asset or liability, and then recognize them as a tax expense when the asset leaves the group or is otherwise used. IAS 12 requires entities to recognize deferred taxes for temporary differences that arise from intercompany transactions, and to recognize taxes paid or recovered in these transactions in the period incurred.

The IASB may address these differences in a fundamental review of income tax accounting at some time in the future, but this review is not likely to be soon.

Convertible debentures

Under Canadian GAAP, our convertible debentures, issued in 2003 and redeemed in 2008, were treated as a compound instrument with a debt and equity component. We measured the debt component at amortized cost using the effective interest rate method, and the equity component at the issue date using the residual method which does not recognize future changes in value.

We have concluded that under IFRS we cannot account for the convertible debentures as compound instruments under IAS 32. This does not change our accounting for the debt component, but we have concluded that the conversion feature is to be accounted for as a derivative. We are required to measure derivatives at fair value at each reporting date, recording changes in value in earnings. For purposes of our transition to IFRS, we have measured the fair value of the conversion feature as at the redemption date, and recorded an increase in share capital offset by a corresponding decrease in retained earnings.

Given the significant increase in value of the conversion option as a result of increases in the stock price of Cameco between the date of issuance and the date of redemption, we have recorded a $297 million reclassification between retained earnings and share capital.

Exploration expenses

Under Canadian GAAP, we charge expenditures for geological exploration programs to earnings as incurred. We begin capitalizing exploration and development expenditures related to the project once the decision has been made to proceed to development.

IFRS 6, Exploration for and Evaluation of Mineral Resources , requires companies to either capitalize or expense costs incurred during the exploration and evaluation phase. Geological activities are considered exploration and evaluation between the time of obtaining the legal rights to explore a specific area and the completion of a commercially viable technical feasibility study. IFRS 6 requires entities to choose which expenditures are capitalized and which are expensed, and to apply the approach consistently.

On transition to IFRS, we will maintain our current accounting policy of expensing all costs relating to exploration and evaluation as they are incurred. As we do under Canadian GAAP, we will capitalize costs once we have determined that a property has economically recoverable reserves. No adjustments are required on transition to IFRS.

First-time adoption of IFRS

IFRS 1 generally requires an entity to apply IFRS retrospectively at the end of its first IFRS reporting period, but there are some mandatory exceptions and some optional exemptions.

We have analyzed the options available to us and have used the exemptions described in the table below. This is a summary of the most significant decisions relating to the transition to IFRS and IFRS 1 elections — it is not a complete list of decisions we were required or elected to make. We have completed our analysis and have made decisions about the accounting policies that are available. We have quantified the impacts of these differences on our consolidated financial statements under IFRS.

Business combinations	There is an option to apply IFRS 3, *Business Combinations,* retrospectively or prospectively. We have elected to apply IFRS 3 prospectively to all business combinations that occurred before the transition date, except as required under IFRS 1.
Fair value as deemed cost	There is an option to choose to use the fair value of an item of property, plant and equipment as deemed cost at the transition date or a previous revaluation under Canadian GAAP as deemed cost under IFRS. We have elected not to use fair value as deemed cost on transition. Instead, these items are reported at cost as determined under IFRS.
Share-based payments	There is an option to apply IFRS 2, *Share-Based Payments,* to all equity instruments granted on or before November 7, 2002, and to those granted after November 7, 2002 only if they had not vested by the transition date. We have elected to apply IFRS 2 to all equity instruments granted after November 7, 2002 that had not vested as of January 1, 2010, and to all liabilities arising from share-based payment transactions that existed at January 1, 2010.
Borrowing costs	There is an option to apply IAS 23, *Borrowing Costs,* retrospectively, using a date we specify, or to capitalize borrowing costs for all qualifying assets when capitalization begins on or after January 1, 2010. We have elected to apply IAS 23 prospectively. For all qualifying assets, we will expense the borrowing costs we were capitalizing before January 1, 2010, and capitalize the borrowing costs that take effect on or after that date.
Employee benefits	IAS 19, *Employee Benefits*, requires entities to defer or amortize certain actuarial gains and losses, subject to certain provisions (corridor approach), or to immediately recognize them in equity. We have elected to recognize cumulative actuarial gains and losses on benefit plans in retained earnings at the transition date.

Differences in currency translation	IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the retrospective calculation of currency translation differences from the date a subsidiary or associate was formed or acquired. IFRS 1 provides the option of resetting cumulative translation gains and losses to zero at the transition date. We have elected to reset all cumulative translation gains and losses to zero in retained earnings at the transition date.
Decommissioning liabilities	There is an option to apply International Financial Reporting Interpretations Committee 1 (IFRIC 1), *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, retrospectively or prospectively. IFRIC 1 will require us to add or deduct a change in our obligations to dismantle, remove and restore items of property, plant and equipment from the cost of the asset it relates to. The adjusted amount is then depreciated prospectively over the asset's remaining useful life. We have elected to adopt IFRIC 1 prospectively at the transition date.

Opening statement of financial position and interim period financial results under IFRS

The following tables include our statement of financial position under IFRS as at January 1, 2010 and our estimates of the most significant differences between our Canadian GAAP and IFRS earnings for the three-month periods ended March 31, 2010, June 30, 2010 and September 30, 2010. This information is based on our current views, assumptions and expectations. However, circumstances may arise, such as changes in IFRS standards or interpretations of existing IFRS standards, which could alter the information presented below.

The notes referenced in the tables are explained by the corresponding notes at the end of the tables.

Opening statement of financial position

($ millions)	Cdn GAAP	Jan 1, 2010 effect of transition	IFRS
Assets			
Current assets			
Cash and cash equivalents	1,101	—	1,101
Short-term investments	203	—	203
Accounts receivable	447	2	449
Inventories	453	(8)	445
Supplies and prepaid expenses	169	—	169
Current portion of long-term receivables, investments and other	155	—	155
	2,528	(6)	2,522
Property, plant and equipment (1, 2, 3, 10)	4,068	(351)	3,717
Intangible assets	98	—	98
Long-term receivables, investments and other (4, 5, 6)	667	(291)	376
Investments in equity-accounted investees (4)	—	222	222
Deferred tax assets (9)	33	(9)	24
Total assets	7,394	(435)	6,959
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	503	2	505
Current tax liabilities	31	—	31
Short-term debt	77	—	77
Dividends payable	24	—	24
Current portion of long-term debt	12	—	12
Current portion of other liabilities	29	—	29
Deferred tax liabilities (9)	87	(1)	86
	763	1	764
Long-term debt	953	—	953
Provision for reclamation	258	(258)	—
Provisions (2)	—	315	315
Other liabilities (5, 6, 10)	245	72	317
Deferred tax liabilities (9)	167	(146)	21
	2,386	(16)	2,370
Minority interest	164	(164)	—
Shareholders' equity			
Share capital (8)	1,512	297	1,809
Contributed surplus	132	—	132
Retained earnings	3,159	(767)	2,392
Other components of equity (7)	41	51	92
Total shareholders' equity attributable to equity holders	4,844	(419)	4,425
Non-controlling interest	—	164	164
Total shareholders' equity	4,844	(255)	4,589
Total liabilities and shareholders' equity	7,394	(435)	6,959

Interim period financial results

2010 changes in earnings ($ millions)	Three months ended March 31	June 30	Sept 30
Net earnings — Canadian GAAP	**142**	**68**	**98**
Accounting differences			
Borrowing costs[1]	(10)	(11)	(11)
Decommissioning provision[2]	(2)	(1)	2
In-process research & development[4]	3	3	3
BPLP — pension and maintenance costs[10]	—	8	(2)
Income taxes — tax effect on differences[9]	3	—	1
Income taxes — IFRS accounting difference[9]	6	—	8
All other	1	—	—
Total accounting differences	**1**	**1**	1
Net earnings — IFRS	**143**	**69**	**99**
Adjustments			
Unrealized losses (gains) on financial instruments	(31)	46	(18)
Adjusted net earnings (non-GAAP measure)	**112**	**115**	**81**

1 We have elected under IFRS 1 not to apply IAS 23, *Borrowing Costs,* retrospectively to borrowing costs incurred on the construction of qualifying assets that commenced prior to January 1, 2010. Accordingly, we have expensed all borrowing costs that had been previously capitalized under Canadian GAAP. New guidance from the IASB is pending and it is possible that our accounting may change as a result. At January 1, 2010, the effect was a $330 million decrease in property, plant and equipment and a corresponding decrease in retained earnings.

2 We have elected under IFRS 1 to apply IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities,* prospectively to changes in decommissioning liabilities that occurred prior to January 1, 2010. There are no new liabilities recognized as a result of the transition to IFRS. However, the measurement of existing liabilities according to the IFRS standards provides a different result. At January 1, 2010, the effect was a $55 million increase in provisions, a $55 million decrease in property, plant and equipment and a $110 million decrease in retained earnings.

Canadian GAAP requires the unwinding of the discount (accretion) to be recorded as an operating cost and allocated to inventory whereas IFRS requires accretion to be reflected as a financing cost. The net result in the interim periods was an increase in reported expenses with a corresponding decrease in product inventories.

3 IFRS requires the reversal of any previously recorded impairment losses where circumstances have changed such that the impairments have been reduced. We reviewed our previously recorded impairment losses and reversed a portion of the charges relating to certain of our in situ recovery mine assets located in the United States. At January 1, 2010, the effect was a $35 million increase in property, plant and equipment with a corresponding increase in retained earnings.

4 Under IFRS, in-process research and development (IPR&D) that meets the definition of an intangible asset is capitalized with amortization commencing when the asset is ready for use (i.e. when development is complete). Under Canadian GAAP, we have been amortizing IPR&D related to the acquisition of our interest in GE-Hitachi Global Laser Enrichment LLC, a development stage entity. At January 1, 2010, the effect was a $20 million increase to investments in equity accounted investees and a corresponding increase in retained earnings.

For the interim periods, we reversed the full amount amortized under Canadian GAAP.

5 We have elected under IFRS 1 to reclassify all cumulative actuarial gains and losses for all defined benefit plans existing at January 1, 2010 to retained earnings at that date. At January 1, 2010, the effect was a $15 million decrease in long-term receivables, investments and other, other liabilities and a corresponding decrease in retained earnings.

6 As a result of BPLP also transitioning to IFRS, we have recorded our share of BPLP's transition adjustments. The most significant of BPLP's IFRS transition adjustments results from cumulative actuarial losses. BPLP reclassified cumulative actuarial gains and losses for all defined benefit plans existing at January 1, 2010 to retained earnings at that date. The effect was a $137 million decrease in long-term receivables, investments and other, other liabilities and a corresponding decrease in retained earnings.

7 We have elected under IFRS 1 to deem all foreign currency translation differences that exist at the date of transition to IFRS to be zero at the date of transition. At January 1, 2010, the effect was a $50 million adjustment to the cumulative translation adjustment account and a corresponding decrease in retained earnings.

8 Under IFRS, we have concluded that our convertible debentures issued in 2003 and settled in 2008 will be treated as a hybrid instrument with a debt component and a conversion feature to be accounted for as a derivative. A derivative is required to be measured at fair value at each reporting date with changes in value being recorded in earnings. For purposes of our IFRS transition, we have measured the fair value of the conversion feature as at the redemption date and recorded a $297 million increase in share capital offset by a corresponding decrease in retained earnings.

9 As a result of the changes in our opening balances on transition to IFRS, we have reduced our deferred tax liabilities by $138 million.

For the interim periods, the adjustments relating to income tax expense reflect the tax effects of other adjustments as well as an IFRS accounting difference related to intra-group transactions. Under IFRS, deferred tax assets and liabilities are recognized for intra-group transactions whereas Canadian GAAP allows for the recognition of deferred tax assets and liabilities only when the transaction is with a third party.

10 On transition to IFRS all actuarial losses were reclassified to retained earnings. Under IFRS, future actuarial gains and losses will be recognized through other comprehensive income to equity. Under Canadian GAAP, we have been amortizing the actuarial losses related to our interest in BPLP. As well, under IFRS, the costs of major inspections are capitalized and amortized over the period to the next inspection. Under Canadian GAAP, we have been expensing the inspection costs related to our interest in BPLP.

Other updates

As we proceed with our transition, we are also assessing the impact on our internal controls over financial reporting, and on our disclosure controls and procedures. Changes in accounting policies or business processes require additional controls or procedures to ensure the integrity of our financial disclosures. We have substantially completed the design and implementation of the new controls and are testing them. The transition to IFRS has not, however, required any significant changes in our internal control over financial reporting or our disclosure controls and procedures.

We conducted several educational and training sessions for our audit committee and the board of directors in 2009 and 2010. During these sessions, management and external advisors provided the board with detailed background information on IFRS accounting standards (including IFRS 1 elections), the implications of policy choices on our financial reporting, and a preliminary view of the expected format and content of our financial statements and notes upon transition. Management gives the audit committee quarterly project status updates and presentations.

We began training management and accounting staff in 2008. Training is being delivered mainly by external advisors, and focusing on the accounting issues most relevant to us. Sessions will continue into 2011. As a result, we are confident there is sufficient expertise within the organization to allow us to effectively transition to IFRS.

Our transition plan includes the need to inform key external stakeholders about the anticipated impact of the IFRS transition on our financial reporting. In 2009, we provided an information update as part of our investor day

presentations. In December of 2010, we hosted a special session with the investment community dedicated to addressing IFRS-related accounting changes specific to Cameco.

We have also evaluated the impact of IFRS on our business activities in general. As a result, we believe the adoption of IFRS will not have a material effect on our risk management practices, hedging activities, capital requirements, compensation arrangements, compliance with debt covenants or other contractual commitments.

EXHIBIT 99.4

For fiscal years ended December 31, 2010 and December 31, 2009, KPMG LLP and its affiliates were paid by Cameco Corporation and its subsidiaries the following fees:

(Cdn$)	2010	% of Total Fees	2009	% of Total Fees
Audit Fees:				
Cameco	$1,697,700	62.6%	$1,739,900	48.7%
Centerra and other subsidiaries	256,200	9.5%	978,600[1]	27.4%
Total Audit Fees	$1,953,900	72.1%	$2,718,500	76.1%
Audit-Related Fees:				
Cameco	$ 273,400	10.1%	$ 219,800	6.1%
Centerra and other subsidiaries	—	—	32,300[1]	0.9%
Translation services	44,500	1.6%	424,000	11.9%
Pensions	20,000	0.7%	17,000	0.5%
Total Audit-Related Fees	$ 337,900	12.5%	$ 693,100	19.4%
Tax Fees:				
Compliance	$ 199,200	7.3%	$ 40,000	1.1%
Planning and advice	219,500	8.1%	122,400	3.4%
Total Tax Fees	$ 418,700	15.4%	$ 162,400	4.5%
All Other Fees:	—	—	—	—
Total Fees:	$2,710,500	100.0%	$3,574,000	100.0%

1 The 2009 fees include amounts related to Centerra Gold Inc. (Centerra). We disposed of our entire interest in Centerra in December 2009.

Pre-Approval Policies and Procedures

As part of Cameco Corporation's corporate governance practices, under its audit committee charter, the audit committee is required to pre-approve the audit and non-audit services performed by the external auditors. The audit committee pre-approves the audit and non-audit services up to a maximum specified level of fees. If fees relating to audit and non-audit services are expected to exceed this level or if a type of audit or non-audit service is to be performed that previously has not been pre-approved, then separate pre-approval by Cameco Corporation's audit committee or audit committee chair, or in the absence of the audit committee chair, the chair of the board, is required. All pre-approvals granted pursuant to the delegated authority must be presented by the member(s) who granted the pre-approvals to the full audit committee at its next meeting. The audit committee has adopted a written policy to provide procedures to implement the foregoing principles. For each of the years ended December 31, 2010 and 2009, none of Cameco Corporation's Audit-Related Fees, Tax Fees or All Other Fees made use of the de minimis exception to pre-approval provisions contained in paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission.

Contractual Cash Obligations

As at December 31, 2010 (Cdn$ millions)	Total	Due in Less Than 1 Year	Due in 1 - 3 Years	Due in 4 - 5 Years	Due After 5 Yrs
Long-term debt	**794**	—	—	298	496
BPLP capital lease	**159**	13	31	39	76
Interest on long-term debt	**312**	42	85	81	104
Interest on BPLP capital lease	**55**	11	20	15	9
Provision for reclamation	**465**	14	23	22	406
Provision for waste disposal	**38**	1	2	2	33
Other liabilities	**374**	—	—	—	374
Unconditional purchase commitments [1, 2]	**1,065**	266	620	173	6
Total contractual cash obligations	**3,262**	347	781	630	1,504

1 Denominated in US dollars, converted to Canadian dollars at the December 31, 2010 rate of Cdn$0.9946.

2 Virtually all of Cameco Corporation's purchase commitments are under long-term, fixed-price arrangements.

Commercial Commitments

As at December 31, 2010 (Cdn$ millions)	Total amounts committed
Standby letters of credit [1]	550
BPLP guarantees [2]	82
Total commercial commitments	632

1 The standby letters of credit maturing in 2011 were issued with a one-year term and will be automatically renewed on a year-by-year basis until the underlying obligations are resolved. These obligations are primarily the decommissioning and reclamation of Cameco Corporation's mining and conversion facilities. As such, the letters of credit are expected to remain outstanding well into the future.

2 At December 31, 2010, Cameco Corporation's total commitment for financial assurances given on behalf of BPLP was estimated to be Cdn$94 million. Refer to note 25 in the 2010 consolidated audited financial statements.

EXHIBIT 99.6

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Cameco Corporation

We have audited Cameco Corporation's ("the Corporation") internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's discussion and analysis. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A corporation's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the corporation are being made only in accordance with authorizations of management and directors of the corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Our report dated February 11, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Chartered Accountants

Saskatoon, Canada

February 11, 2011

EXHIBIT 99.7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board Directors of Cameco Corporation

We have audited the accompanying consolidated balance sheets of Cameco Corporation as at December 31, 2010 and 2009 and the related consolidated statements of earnings, shareholders' equity, comprehensive income, accumulated other comprehensive income and cash flows for each of the years in the two-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2010 and 2009 in conformity with Canadian generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in Exhibit 99.7 entitled "Reconciliation to United States GAAP" is presented for purposes of additional analysis and requirements under securities legislation. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 11, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Chartered Accountants

Saskatoon, Canada

February 11, 2011

RECONCILIATION TO UNITED STATES GAAP

Reconciliation to United States GAAP

The consolidated financial statements of Cameco are expressed in Canadian dollars in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States (US GAAP).

(a) Reconciliation of earnings under Canadian GAAP to earnings determined under US GAAP:

	2010	2009
Earnings from continuing operations under Canadian GAAP	**$514,749**	**$ 716,997**
Add (deduct) adjustments for [d]:		
Pre-operating costs (i)	1,512	1,512
Stock-based compensation (iii)	(1,261)	(3,044)
In-process research and development (viii)	11,363	18,294
Depreciation, depletion and reclamation (ix)	1,359	—
Income tax effect of adjustments	(2,558)	(2,881)
Minority interest in loss under Canadian GAAP [1]	(10,352)	(3,035)
Earnings from continuing operations under US GAAP	**514,812**	**727,843**
Earnings from discontinued operations under Canadian GAAP	**—**	**382,425**
Add adjustment for:		
Earnings from discontinued operations [e]	—	100,419
Earnings from discontinued operations under US GAAP	**—**	**482,844**
Net earnings under US GAAP	**$514,812**	**$1,210,687**
Less net loss attributable to non-controlling interests [1]		
Continuing operations	10,352	3,035
Discontinued operations [e]	—	(61,433)
	10,352	(58,398)
Net earnings attributable to common shareholders under US GAAP	**$525,164**	**$1,152,289**
Other comprehensive income:		
Comprehensive income under Canadian GAAP	**$448,470**	**$ 974,970**
Adjustments to net earnings attributable to common shareholders under US GAAP	10,415	52,867
Add (deduct) adjustments for [d]:		
Unamortized actuarial gain (iv)	(75,016)	(37,006)
Unamortized actuarial gain transferred to net earnings (iv)	(29,905)	(27,712)
Foreign currency translation adjustments (viii)	2,808	4,412
Comprehensive income under US GAAP	**$356,772**	**$ 967,531**
Net earnings per share under US GAAP		
Basic		
Continuing operations	**$ 1.35**	**$ 1.87**
Discontinued operations	**—**	**1.08**
	$ 1.35	**$ 2.95**
Diluted		
Continuing operations	**$ 1.35**	**$ 1.87**
Discontinued operations	**—**	**1.07**
	$ 1.35	**$ 2.94**

[1] As required by US GAAP, the company has reclassified its non-controlling interests on the statements of earnings and balance sheets.

(b) Comparison of balance sheet items determined in accordance with Canadian GAAP to balance sheet items determined in accordance with US GAAP:

(i) Balance Sheets

	2010		2009	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
Current assets [d(v)]	$2,573,299	$2,381,997	$2,527,741	$2,258,854
Property, plant and equipment [d(v)]	4,337,809	3,822,298	4,068,103	3,531,905
Intangible assets	94,270	94,270	97,713	97,713
Long-term receivables, investments and other [d(v)(viii)]	628,824	486,545	667,287	718,079
Deferred income taxes	37,166	37,166	33,017	33,017
Total assets	**$7,671,368**	**$6,822,276**	**$7,393,861**	**$6,639,568**
Current liabilities [d(v)]	$ 604,709	$ 502,460	$ 763,057	$ 657,266
Long-term debt [d(v)]	940,317	794,483	952,853	793,842
Provision for reclamation	279,653	279,653	258,277	258,277
Other liabilities [d(v)]	244,179	128,264	244,433	117,908
Deferred income taxes	208,044	83,887	167,373	74,907
	2,276,902	1,788,747	2,385,993	1,902,200
Minority interest	178,139	—	164,040	—
Shareholders' equity				
Share capital [d(vi)]	1,535,857	1,522,927	1,512,461	1,499,531
Contributed surplus	142,376	136,183	131,577	124,123
Non-controlling interest[1]	—	178,139	—	164,040
Retained earnings	3,563,089	3,439,090	3,158,506	3,024,092
Accumulated other comprehensive income				
- net actuarial loss [d(iv)]	—	(10,142)	—	(10,538)
- equity investment net actuarial loss [d(iv)]	—	(216,437)	—	(110,785)
- equity investment prior service cost [d(iv)]	—	(1,435)	—	(1,772)
- cumulative translation account [d(ii)(viii)]	(57,094)	(46,895)	(50,398)	(43,005)
- hedges and derivative instruments	47,600	47,600	109,308	109,308
- available-for-sale securities	(15,501)	(15,501)	(17,626)	(17,626)
Total accumulated other comprehensive income	(24,995)	(242,810)	41,284	(74,418)
Total shareholders' equity	5,216,327	5,033,529	4,843,828	4,737,368
Total liabilities and shareholders' equity	**$7,671,368**	**$6,822,276**	**$7,393,861**	**$6,639,568**

1 As required by US GAAP, the company has reclassified its non-controlling interests on the statements of earnings and balance sheets.

(ii) Components of accounts payable and accrued liabilities are as follows:

Accounts payable	$311,174	$228,437	$438,012	$339,390
Taxes and royalties payable	46,059	77,816	50,386	91,143
Accrued liabilities	76,844	76,844	46,266	46,266
Total accounts payable and accrued liabilities	**$434,077**	**$383,097**	**$534,664**	**$476,799**

(c) The effects of these adjustments would result in the consolidated statements of cash flows reporting the following under US GAAP:

	2010	2009
Cash provided by operations	$ 464,628	$660,757
Cash (used in) provided by investing	(1,107,501)	255,837
Cash (used in) provided by financing	(76,316)	127,795

Included within the cash (used in) provided by investing activities for 2010 is $nil (2009 - $871,300,000) related to the disposition of the interest in Centerra Gold Inc. (Centerra). There are no cash flows from discontinued operations contained within cash provided by operations or financing activities.

(d) A description of certain significant differences between Canadian GAAP and US GAAP follows:

(i) Pre-Operating Costs

Under Canadian GAAP, pre-operating costs incurred during the commissioning phase of a new project are deferred until commercial production levels are achieved, subject to time limitations. Under US GAAP, such costs are expensed as incurred. McArthur River commercial production commenced March 1, 2000 for US GAAP and November 1, 2000 for Canadian GAAP. Differences in capitalized costs are amortized over the estimated lives of the assets to which they relate.

(ii) Cumulative Translation Account

Prior to 2007, under US GAAP, exchange gains and losses of any foreign currency debt designated as hedges of net investments in subsidiaries were included in comprehensive income. Cumulative amounts were included in accumulated other comprehensive income on the balance sheet. Adjustments from prior years related to this difference amount to $12,639,000.

(iii) Stock-Based Compensation

In 2007, Cameco amended its stock option program, introducing a cash settlement feature for the exercise of employee stock options. Under Canadian GAAP, options that include a cash settlement feature are classified as liabilities and carried at their intrinsic value. The intrinsic value is marked to market each period with an offsetting adjustment to expense. Under US GAAP, the liabilities are required to be measured at their fair value each period with an offsetting adjustment to expense. For US GAAP purposes, the fair value of the options was determined using the Black-Scholes option-pricing model. As a result of the difference, compensation expense for US GAAP purposes for 2007 was reduced by $76,126,000.

In November 2008, Cameco amended its stock option program, removing the cash settlement feature for the exercise of employee stock options. Under both Canadian and US GAAP, options that do not include a cash settlement feature are classified as equity and measured at their grant date fair value. The Black-Scholes option-pricing model was used to determine the fair value of the options as at the date of amendment. It was determined that compensation expense previously recorded under Canadian GAAP was in excess of the fair value of the outstanding options. Thus, no charges or recoveries were recorded under Canadian GAAP as a result of this amendment. The expense recorded under US GAAP, while the cash settlement option was in effect, was lower than the grant date fair value of the outstanding options. The reversal of the recovery of stock compensation costs as a result of the use of the intrinsic value model under Canadian GAAP at a time when Cameco's share price was declining results in an increase expense for US GAAP purposes of $1,261,000 in 2010 (2009 - - $3,044,000). The cumulative Canadian-US GAAP difference for stock-based compensation expense is $7,454,000, of which

$2,202,000 is a permanent difference. The remaining $5,252,000 is a temporary difference and future expenses under US GAAP will be increased by that amount.

As of December 31, 2010, Cameco had stock-based compensation costs relating to unvested stock option awards that have not yet been recognized in the amount of $3,898,000 (2009 — $3,186,000), net of estimated forfeitures. The compensation cost will be recognized on a straight-line basis over the remaining vesting periods of the awards.

(iv) Pension and Other Post-Retirement Benefits

Under US GAAP, an entity is required to recognize the funded status of a benefit plan in the balance sheet and to recognize the existing unrecognized net gains and losses, unrecognized prior service costs, and unrecognized net transition assets in other comprehensive income. There is no similar requirement under Canadian GAAP.

For the Cameco benefit plan, a gain of $396,000 was included in other comprehensive income (2009 — a loss of $4,635,000). For the BPLP benefit plan, a loss of $105,575,000 was included in other comprehensive income (2009 — a loss of $50,624,000).

The rate used to discount pension and other post-retirement benefit plan obligations was based on the AA high quality Canadian corporate bond yield curve at December 31, 2010, as developed by third party actuaries. The estimated future cash flows for the pension and other post-retirement obligations were matched to the corresponding spot rates on this yield curve to derive a representative single discount rate.

In 2009, the Ontario provincial government enacted amendments that provided for a reduction in the general corporate income tax rate for business operating in the province of Ontario. The cumulative effect on the income tax liability related to the 2009 adjustments to other comprehensive income for pension and other post-retirement benefits was an increase of $9,460,000.

(v) Investment in Bruce Power L.P. (BPLP)

Under Canadian GAAP, Cameco accounts for its interest in BPLP by the proportionate consolidation method. Under US GAAP, Cameco is required to equity account for its investment and record in earnings its proportionate share of their net earnings measured in accordance with US GAAP.

(vi) Convertible Debentures

Under US GAAP, convertible debentures are to be classified entirely as debt rather than equity. Due to the difference, accretion related to the equity component of convertible debentures for Canadian GAAP has been reversed for US GAAP purposes. Since all interest related to the debentures was being capitalized under both US and Canadian GAAP, the adjustments affected only the balance sheet. The convertible debentures were converted to common shares in October 2008. In comparison to Canadian GAAP, the cumulative differences on the US GAAP balance sheet were to decrease share capital by $12,930,000 and property, plant and equipment by $12,930,000.

(vii) Income Taxes

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	2010	2009
Balance, beginning of year	$ 43,087	$34,487
Additions based on tax positions related to the current year	2,600	3,369
Additions for tax positions of prior years	5,000	10,295
Reductions for tax positions of prior years	(8,086)	(5,064)
Balance, end of year	$ 42,601	$43,087

All of the tax benefits included in the table would, if recognized, impact the effective income tax rate. It is Cameco's policy to classify interest and penalties associated with unrecognized tax benefits, if any, in income tax expense. For the years ended December 31, 2009 and 2010, there were no amounts accrued for penalties or interest expense.

Cameco and its subsidiaries file tax returns in several jurisdictions. At December 31, 2010, the significant jurisdictions and the tax years subject to examination by tax authorities were as follows:

	Years
Canada	2006 - present
United States	2007 - present
Kazakhstan	2008 - present
Switzerland	2009 - present
Barbados	2002 - present

(viii) Investment in GE-Hitachi Global Laser Enrichment LLC (GLE)

Effective June 19, 2008, Cameco acquired a 24% interest in GLE. In total, $94,727,000 of the purchase price has been allocated to in-process research and development (IPR&D). Under Canadian GAAP, IPR&D is capitalized and amortized over the period until the project commences commercial production. Under Canadian GAAP, these expenditures are being amortized over a period of 8.5 years, with all amounts amortized by December 31, 2016. Under US GAAP, any portion of the purchase price allocated to research and development activities for which there is no alternative future use must be expensed on the acquisition date. Under US GAAP, the expense for 2010 has been decreased by $11,363,000 (2009 — $18,294,000). As a result, the carrying value of the investment is lower under US GAAP which causes a foreign currency translation difference in the amount of $2,439,000 (2009 — $5,245,000), which has been recorded in the cumulative translation account.

(ix) Inkai Pre-Bankable Feasibility

Under Canadian GAAP, costs incurred prior to the completion of a bankable feasibility study were deferred until commercial production levels are achieved. Under US GAAP, such costs are expensed as incurred. Differences in capitalized costs are amortized over the estimated lives of the assets to which they relate.

(e) Sale of Centerra Gold Inc. (Centerra)

On December 30, 2009, Cameco completed a public offering of 88,618,472 common shares of Centerra for net proceeds of approximately $871,000,000 and, for Canadian GAAP purposes, recorded a net gain of $374,000,000. Concurrent with this offering, Cameco transferred an additional 25,300,000 common shares of Centerra to Kyrgyzaltyn pursuant to the agreement that Cameco entered into with the Government of the Kyrgyz Republic on April 24, 2009. As a result of the closing of the public offering, and the transfer of the Centerra common shares to Kyrgyzaltyn, Cameco has disposed of its entire interest in Centerra. For US GAAP purposes, Cameco recorded an incremental gain on disposition of $30,816,000 which represents the remaining book value of Centerra's net assets under US GAAP.

The assets and liabilities related to the discontinued operations have been reclassified as assets or liabilities of discontinued operations on the consolidated balance sheets. Operating results related to the discontinued operations have been included in earnings from discontinued operations on the consolidated statements of earnings. Comparative period balances have been restated.

Financial Results of Discontinued Operations

The results of the operations of Centerra are presented under "discontinued operations" on the consolidated statements of earnings. The following table presents the components of the US GAAP adjustments related to the discontinued operations amounts:

	2010	2009
Sale of Centerra	$ —	$ 30,816
Operating earnings	—	69,603
Earnings from discontinued operations	$ —	$100,419

The incremental gain of $30,816,000 was comprised of amounts related to unamortized stripping costs ($12,819,000), previously unvalued gold ore stockpiles ($8,787,000), future income tax assets acquired on acquisition of Centerra ($1,964,000), and previously recognized differences in the cumulative translation account ($7,246,000). Cameco has made an immaterial adjustment to the 2009 US GAAP reconciliation to reflect the realization of the cumulative translation account related to the gain on sale of Centerra. As a result, earnings from discontinued operations and net earnings attributable to common shareholders under US GAAP have increased by $7,246,000 for 2009.

The following table presents the components of the US GAAP adjustments related to the operating results of Centerra:

		2010	2009
Stripping costs	$	—	$18,929
Income tax (expense) recovery		—	(3,426)
Reclassification of non-controlling interest		—	54,100
Operating earnings	$	—	$69,603

Under Canadian GAAP, stripping costs incurred during the production phase by mining companies to remove overburden and other mine waste materials in order to access mineral deposits, can be either expensed or capitalized given the specifics of the situation. Under US GAAP, stripping costs are deemed to be variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. No stripping costs were incurred in 2009 and capitalized at Centerra's mines under Canadian GAAP. Under US GAAP, adjustments were made to expense these amounts. Differences in capitalized costs are amortized over the estimated lives of the assets to which they relate. In 2009, an adjustment was made to reduce the amount of depreciation charged to earnings by $18,929,000. A charge for non-controlling interest in the amount of $7,333,000 is included in the net loss attributable to non-controlling interests.

As required by US GAAP, the company has reclassified its non-controlling interests on the statements of earnings and balance sheets. Accordingly, minority interest of $54,100,000 included in discontinued operations under Canadian GAAP has been reclassified as net loss attributable to non-controlling interest.

EXHIBIT 99.8

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Cameco Corporation

We consent to the inclusion in this annual report on Form 40-F of:

- our auditors' report dated February 11, 2011 on the consolidated balance sheets of Cameco Corporation (the "Corporation") as at December 31, 2010 and 2009, and the consolidated statements of earnings, shareholders' equity, comprehensive income, accumulated other comprehensive income and cash flows for each of the years in the two-year period ended December 31, 2010,
- our Report of Independent Registered Public Accounting Firm dated February 11, 2011 in accordance with the standards of the Public Company Accounting Oversight Board (United States), and
- our Report of Independent Registered Public Accounting Firm dated February 11, 2011 on the Corporation's internal control over financial reporting as of December 31, 2010,

each of which is contained in this annual report on Form 40-F of the Corporation for the fiscal year ended December 31, 2010.

We also consent to the incorporation by reference of such reports in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

/s/ KPMG LLP

Chartered Accountants

Saskatoon, Canada

February 16, 2011

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG international Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

EXHIBIT 99.9

I, Gerald W. Grandey, certify that:

1. I have reviewed this annual report on Form 40-F of Cameco Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 16, 2011

/s/ *Gerald W. Grandey*

Name: Gerald W. Grandey
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 99.10

I, O. Kim Goheen, certify that:

1. I have reviewed this annual report on Form 40-F of Cameco Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 16, 2011

/s/ *O. Kim Goheen*

Name: O. Kim Goheen
Title: Senior Vice-President &
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 99.11

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cameco Corporation (the "Company") on Form 40-F for the year ended December 31, 2010, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Gerald W. Grandey, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ *Gerald W. Grandey*
Name: Gerald W. Grandey
Title: Chief Executive Officer

February 16, 2011

EXHIBIT 99.12

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cameco Corporation (the "Company") on Form 40-F for the year ended December 31, 2010, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, O. Kim Goheen, Senior Vice-President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ *O. Kim Goheen*
Name: O. Kim Goheen
Title: Senior Vice-President & Chief Financial Officer

February 16, 2011

EXHIBIT 99.13

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Operating Properties — McArthur River/Key Lake", "Operations and Development Projects — Uranium Operating Properties — Inkai", "Operations and Development Projects — Uranium Development Project — Cigar Lake", "Mineral Reserves and Resources " and "Governance - Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the McArthur River/Key Lake, Inkai and Cigar Lake properties; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the McArthur River/Key Lake, Cigar Lake and Inkai properties,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *Alain G. Mainville*

Name: Alain G. Mainville, P. Geo.
Title: Director, Mineral Resources Management, Cameco Corporation

Date: February 16, 2011

EXHIBIT 99.14

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Operating Properties — Inkai", "Mineral Reserves and Resources " and "Governance — Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the Inkai property; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the Inkai property,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *Charles Foldenauer*

Name: Charles Foldenauer, P. Eng.
Title: Operations Director, Joint Venture Inkai Limited Liability Partnership

Date: February 16, 2011

EXHIBIT 99.15

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Development Project — Cigar Lake", "Mineral Reserves and Resources " and "Governance — Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the Cigar Lake property; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the Cigar Lake property,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *Grant J. H. Goddard*

Name: Grant J. H. Goddard, P. Eng.
Title: Vice-President of Saskatchewan Mining North, Cameco Corporation

Date: February 16, 2011

EXHIBIT 99.16

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Operating Properties — McArthur River/Key Lake", "Operations and Development Projects — Uranium Development — Cigar Lake", "Mineral Reserves and Resources " and "Governance — Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the McArthur River/Key Lake and the Cigar Lake properties; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the McArthur River/Key Lake and the Cigar Lake properties,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *Lorne Schwartz*

Name: Lorne Schwartz, P. Eng.
Title: Chief Metallurgist, Major Projects — Technical Services, Cameco Corporation

Date: February 16, 2011

EXHIBIT 99.17

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Development Project — Cigar Lake", "Mineral Reserves and Resources " and "Governance — Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the Cigar Lake property; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the Cigar Lake property,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *C. Scott Bishop*

Name: C. Scott Bishop, P. Eng.
Title: Principal Mine Engineer, Major Projects — Technical Services, Cameco Corporation

Date: February 16, 2011

EXHIBIT 99.18

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Operating Properties — McArthur River/Key Lake", "Mineral Reserves and Resources " and "Governance — Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the McArthur River/Key Lake properties; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the McArthur River/Key Lake properties,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *Gregory M. Murdock*

Name: Gregory M. Murdock, P. Eng.
Title: Technical Superintendent, McArthur River, Cameco Corporation

Date: February 16, 2011

EXHIBIT 99.19

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Operating Properties — McArthur River/Key Lake", "Mineral Reserves and Resources " and "Governance — Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the McArthur River/Key Lake properties; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the McArthur River/Key Lake properties,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *David Bronkhorst*

Name: David Bronkhorst, P. Eng.
Title: Vice-President of Saskatchewan Mining South, Cameco Corporation

Date: February 16, 2011

EXHIBIT 99.20

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "Form 40-F") of Cameco Corporation (the "Corporation") to be filed with the United States Securities and Exchange Commission pursuant to the United States Securities Exchange Act of 1934, as amended.

I hereby consent to reference to my name and my involvement in the preparation of, or supervision of the preparation of, scientific and technical information in the following instances:

(a) under the headings "Operations and Development Projects — Uranium Operating Properties — McArthur River/Key Lake", "Mineral Reserves and Resources " and "Governance — Interest of Experts" in the Corporation's Annual Information Form for the year ended December 31, 2010 dated February 16, 2011 for the McArthur River/Key Lake properties; and

(b) under the heading "Mineral Reserves and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2010 dated February 14, 2011 for the McArthur River/Key Lake properties,

(collectively the "Technical Information") in the Form 40-F, and to the inclusion and incorporation by reference of information derived from the Technical Information in the Form 40-F.

I also hereby consent to the incorporation by reference of such Technical Information in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

Sincerely,

/s/ *Leslie (Les) D. Yesnik*

Name: Leslie (Les) D. Yesnik, P. Eng.
Title: General Manager, Key Lake operations, Cameco Corporation

Date: February 16, 2011