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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 31 December 2004 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)

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

Fletcher Newton, Power Resources, Inc., 141 Union Boulevard, Suite 330
Lakewood, Colorado, USA 80228, Telephone: (720) 917-0112
(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:

173,040,069 Common Shares outstanding as of 31 December 2004

Indicate by check mark whether the Registrant by furnishing 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.

oYes 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 Securities Exchange Act of 1934 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

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 1 see "Note Regarding Forward-Looking Statements".

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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 the registrant shall be communicated promptly to the Securities and Exchange Commission by an amendment to the Form F-X referencing the file number of the relevant registration statement.

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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 fully authorized.

DATED this 15 day of March, 2005.

CAMECO CORPORATION

Per: /s/ O. Kim Goheen

O. Kim Goheen
Chief Financial Officer

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CERTIFICATIONS AND DISCLOSURE REGARDING CONTROLS AND PROCEDURES

(a) ***Certifications.*** See Exhibits 99.1 and 99.2.

(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-14(c) and 15d-14(c) of the United States Securities Exchange Act of 1934 (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 ensure 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 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 that the disclosure controls and procedures or internal controls over financial reporting will prevent 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) ***Changes in Internal Control Over Financial Reporting***. During the fiscal year ended December 31, 2004, there were no changes in Cameco Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, Cameco Corporation's internal control over financial reporting.

(d) ***Additional Disclosure Regarding Disclosure Controls and Procedures and Internal Control over Financial Reporting.*** Cameco Corporation revised the accounting for the non-routine and complex restructuring transactions that helped create Centerra Gold Inc., resulting in a restatement of the previously issued interim financial statements for the periods ended June 30, 2004 and September 30, 2004. The original accounting for these transactions had been carefully analyzed and assessed by management and reviewed by Cameco Corporation's independent public accountants.

The change to the accounting for the restructuring transactions resulted from a final review in the course of preparing the year-end audited financial statements, when a decision was reached by management and Cameco Corporation's independent public accountants that a more appropriate basis of accounting for the transactions existed. Cameco Corporation has concluded that the use of a less appropriate method of accounting could be deemed to be the result of a significant deficiency in the design or operation of its internal controls regarding the application of generally accepted accounting principles and the review process of the implementation of accounting guidance.

In reassessing the practice that ultimately led to the change in accounting with respect to the restructuring transactions for Centerra Gold Inc., Cameco Corporation has determined that a corporate policy is required to formalize the current practice with respect to the review, assessment and conclusion on the accounting treatment for non-routine or complex transactions, changes in accounting policy and accounting decisions that involve significant application of professional judgment. This policy will include:

- Ongoing, regular monitoring of the appropriateness of existing accounting policies including emerging issues and trends;
- Authority for management to seek independent third party advice with respect to accounting matters related to non-routine or complex transactions or areas involving significant professional judgment; and
- Regular formal reports from management to the audit committee on current accounting policies, emerging issues and trends, non-routine or complex transactions and accounting matters involving significant professional judgment or estimates to enable the audit committee to strengthen oversight.

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 Victor J. Zaleschuk. He is an "independent" director as such term is used in the rules of the New York Stock Exchange.

Code of Ethics. Cameco Corporation's directors' code of ethics, Cameco Corporation's code of ethics and mandates of the board and its committees and position descriptions for the chief executive officer and the non-executive chair can be found on Cameco Corporation's web site www.cameco.com under "Governance" and are also available in print to any shareholder upon request.

Principal Accountant Fees and Services. Disclosure is contained in Exhibit No. 4.

Off-Balance Sheet Arrangements. In the normal course of operations, Cameco Corporation enters into certain transactions which are not required to be recorded on its balance sheet. These activities include the issuing of financial assurances, derivative instruments and long-term product purchase contracts. These arrangements are disclosed in the following sections of Exhibit No. 3 – 2004 Management's Discussion and Analysis and the notes for Exhibit No 2 – 2004 Consolidated Audited Financial Statements:

1. Financial assurances – in MDA disclosed at Nuclear Electricity Business on page 26, Liquidity and Capital Resources on page 42, Business Risks and Uncertainties on page 50, and disclosed in notes 6, 7 and 16 of the consolidated financial statements.

2. Derivative instruments – in MDA disclosed at Uranium Business on pages 16-17, Business Risks and Uncertainties on pages 46-47, Critical Accounting Estimates on page 52 and disclosed in note 22 of the consolidated financial statements.

3. Long-term product purchase contracts – in MDA disclosed at Uranium Business on page 15 and Liquidity and Capital Resources on page 42 and disclosed in note 21(d) of the consolidated financial statements.

Tabular Disclosure of Contractual Obligations. Disclosure is contained in Exhibit No. 3 – 2004 Management's Discussion and Analysis under the heading "Debt" with tables entitled "Contractual Cash Obligations" and "Commercial Commitments".

Identification of the Audit Committee. Cameco Corporation's audit committee is comprised of: Nancy E. Hopkins (chair), Oyvind Hushovd, J. W. George Ivany, A. Neil McMillan, Robert W. Peterson and Victor J. Zaleschuk.

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Disclosure Pursuant to the Requirements of the New York Stock Exchange

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 New York Stock Exchange) meet without management participation. Mr. Victor J. Zaleschuk, as non-executive chair of the company, serves as the presiding director (the "Presiding Director") at such sessions. Each of the registrant's non-management directors, other than Harry D. Cook, is "independent" as such term is used in the rules of the New York Stock Exchange. 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 www.cameco.com under Governance.

Communication with Non-Management Directors

Shareholders may send communications to Cameco Corporation's non-management directors by writing to the Presiding Director, c/o Gary M. S. Chad, Senior Vice-President, Governance, Legal and Regulatory Affairs, and Corporate Secretary, Cameco Corporation, 2121-11th Street West, Saskatoon, Saskatchewan, Canada, S7M 1J3. Communications will be referred 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.

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 are required to be posted on the listed company's website. Cameco Corporation operates under corporate governance guidelines that are consistent with the requirements of Section 303A.09 of the NYSE Listed Company Manual, and which are contained in the board mandate which can be found at Cameco Corporation's website at www.cameco.com under Governance.

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99.2	Certification of Chief Financial Officer pursuant to Rule 13a – 14(a) or 15d – 14 of the Securities Exchange Act of 1934
99.3	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.4	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 1

Cameco Corporation

Annual Information Form

March 15, 2005



Cameco Corporation

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2004

Dated March 15, 2005

Cameco Corporation
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REPORTING CURRENCY AND FINANCIAL INFORMATION

All amounts in this Annual Information Form are expressed in Canadian dollars, unless otherwise indicated. References to $(US) are to United States ("US") dollars.

Financial information is presented in accordance with Canadian generally accepted accounting principles. Differences between generally accepted accounting principles in Canada and the United States, as applicable to Cameco Corporation, are explained in the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2004 and attached as Appendix "A".

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form and the information incorporated herein are forward-looking statements. Discussions containing forward-looking statements may be found in the material set forth in the "General Development of The Business", "The Nuclear Business", "Centerra Gold Inc.", "Common Risk Factors-Uranium and Gold" and "Management's Discussion and Analysis" sections. In addition, when used in this Annual Information Form, the words "believes", "intends", anticipates, "expects", "estimates" and words of similar import may indicate forward-looking statements. Statements which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Factors that could cause such differences, without limiting the generality of the foregoing, include: volatility and sensitivity to market prices for uranium, conversion services, electricity in Ontario and gold; the impact of the change in volume of uranium and conversion services sold, electricity generated by Bruce Power LP, and gold produced by Centerra Gold Inc.; the financial results and operations of Bruce Power LP and Centerra Gold Inc.; competition; the impact of change in foreign currency exchange rates and interest rates; imprecision in reserve, decommissioning, and reclamation estimates; adverse mining conditions; unexpected geological or hydrological conditions; operating performance and life of the facilities; unplanned outages or planned outages that extend beyond the scheduled period at Bruce Power LP's facilities; environmental and safety risks including increased regulatory burdens and long term hazardous waste disposal; political risks arising from operating in certain developing countries; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including tax and trade laws and policies; demand for nuclear power; replacement of production and failure to obtain necessary permits and approvals from government authorities; legislative and regulatory initiatives regarding deregulation, re-regulation or restructuring of the electric utility industry in Ontario; Ontario electricity rate regulations; weather and other natural phenomena; ability to maintain and improve positive labour relations; success of planned development projects; and other development and operating risks. Although Cameco believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this Annual Information Form. Cameco disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as otherwise required by applicable law.

NOTE REGARDING RESERVES AND RESOURCES

Reserves and resources reported herein have been estimated as at December 31, 2004 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum and incorporated into National Instrument 43-101 (see "Definitions" below). Estimates of uranium reserves and resources were prepared by or under the supervision of the qualified persons identified at "Uranium Concentrates Business – Reserves and Resources". Estimates of gold reserves and resources were prepared by or under supervision of the qualified persons identified at "Centerra Gold Inc. – Reserves and Resources." Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

Cameco reports its reserves and resources in accordance with National Instrument 43-101, as required by Canadian securities regulatory authorities. For United States reporting purposes, Industry Guide 7 under the Securities Exchange Act of 1934 (as interpreted by the Staff of the U.S. Securities and Exchange Commission) applies different standards in order to classify mineralization as a reserve. Accordingly, for U.S. reporting purposes, as at December 31, 2004, the mineralization at the Ruth uranium in situ leach project in Wyoming is classified as mineralized material. In addition, for U.S. reporting purposes, all mineral resources must be considered as mineralized material.

For the purpose of estimating uranium reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of $21.80 (US) was used. For the purpose of estimating reserves in accordance with United States Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of $13.40 (US) was used. Estimated uranium reserves are the same using either uranium price, except for the Ruth uranium in situ leach project in Wyoming which, for US reporting purposes, is classified as mineralized material.

For the purpose of estimating gold reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, reserves were calculated with a cut-off grade based on a gold price of $375 (US) per ounce. For the purpose of estimating gold reserves in accordance with United States Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, reserves were calculated with a cut-off grade based on a gold price of $350 (US) per ounce. At the lower gold price, on a 100% basis, Kumtor reserves decrease by 1,772,000 tonnes of ore (4%) and 109,000 ounces of contained gold (3%) and Boroo reserves decrease by 530,000 tonnes of ore (4%) and 17,400 ounces of contained gold (1%).

Mineral resources are not mineral reserves and do not have demonstrated economic viability, but do have reasonable prospects for economic extraction. Measured and indicated mineral resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resources. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to enable them to be categorized as mineral reserves and there is no certainty that mineral resources will be upgraded to mineral reserves through continued exploration.

Although the Company has carefully prepared and verified the mineral reserve figures presented in this Annual Information Form, such figures are estimates, which are, in part, based on forward-looking information, and no assurance can be given that the indicated levels of uranium and gold will be produced. See "Note Regarding Forward-Looking Information", "Common Risk Factors – Uranium and Gold" "The Nuclear Business – Risk Factors" and "Certain Risk Factors Related to Centerra's Business and the Gold Industry".

Definitions

A ***mineral reserve*** is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are sub-divided in order of increasing confidence into probable mineral reserves and proven mineral reserves.

A ***probable mineral reserve*** is the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A ***proven mineral reserve*** is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A ***mineral resource*** is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

An ***inferred mineral resource*** is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably, assumed but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An ***indicated mineral resource*** is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A ***measured mineral resource*** is that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

INCORPORATION AND SUBSIDIARIES

Incorporation

Cameco Corporation ("Cameco" or the "Company") was incorporated under the *Canada Business Corporations Act* ("CBCA") on June 19, 1987 to combine the uranium mining and milling operations of Saskatchewan Mining Development Corporation ("SMDC") with the uranium mining, refining and conversion operations of Eldorado Nuclear Limited ("ENL"), since renamed Canada Eldor Inc. ("CEI") (the "Reorganization"). The Reorganization of SMDC and ENL was accomplished by the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada) (the "ENL Reorganization Act") and *The Saskatchewan Mining Development Corporation Reorganization Act* (Saskatchewan). Pursuant to this legislation, in October 1988 CEI and SMDC transferred substantially all of their assets to Cameco in exchange for Cameco assuming substantially all of their current and certain other liabilities and issuing common shares, one Class B Share and promissory notes of the Company.

On June 18, 2001, legislation to amend the ENL Reorganization Act was passed by the federal government. The legislative amendment allowed Cameco to proceed with an amendment to Cameco's articles to increase the individual non-resident maximum share ownership from 5% to 15% and to increase the limit on aggregate non-resident ownership voting rights from 20% to 25%. This amendment was approved by special resolution of Cameco's shareholders at the 2002 annual shareholders meeting.

At the 2003 annual and special shareholders meeting, shareholders approved two amendments to Cameco's articles. The first was to permit the board to appoint one or more directors between meetings of shareholders as permitted by the CBCA, subject to certain limitations. The second was to remove the requirement that the chairman of the board must be ordinarily resident in the province of Saskatchewan.

At its formation, Cameco's share capital was owned 61.5% and 38.5%, respectively, by the province of Saskatchewan and the Government of Canada. The Company became a publicly traded company in Canada after the initial public offering of its common shares in 1991. The province of Saskatchewan and the Government of Canada have sold all of their common shares in Cameco. The province of Saskatchewan retains one Class B share in Cameco. See "Description of Securities".

Cameco's head office and principal place of business is located at 2121 – 11 th Street West, Saskatoon, Saskatchewan, Canada, S7M 1J3, telephone (306) 956-6200.

Subsidiaries

Cameco owns a one-half interest in UEM Inc. ("UEM"), a Canadian company.

Cameco owns a 31.6% limited partnership interest in Bruce Power Limited Partnership ("Bruce Power"), an Ontario limited partnership, through its wholly owned Canadian subsidiaries Cameco Bruce Holdings Inc. and Cameco Bruce Holdings II Inc.

Cameco through subsidiaries also owns 52.7% of Centerra Gold Inc. ("Centerra"), the largest western-based gold producer in Central Asia and the former Soviet Union.

No other subsidiaries are individually or collectively material.

GENERAL DEVELOPMENT OF THE BUSINESS

Cameco is the world's largest uranium producer. The Company's competitive position is based upon its large, high-grade reserves and low-cost operations, significant market position and access to other supplies of uranium. Cameco is also one of the four commercial converters of uranium concentrates ("U_3O_8") to uranium hexafluoride ("UF_6") in the western world and the only commercial supplier of services to convert uranium concentrates to uranium dioxide ("UO_2") in the western world. Cameco, through subsidiaries, has a 31.6% limited partnership interest in Bruce Power, which operates North America's largest nuclear electricity generating facility. Bruce Power has six nuclear reactors at the facility in service. The Company continues to explore for uranium in a number of countries.

While Cameco continues its principal focus on the nuclear business, it also owns 52.7% of Centerra, the largest western-based gold producer in Central Asia and the former Soviet Union, which is publicly traded on the Toronto Stock Exchange. Centerra operates two producing gold mines, the Kumtor mine in the Kyrgyz Republic, in which it has a 100% interest, and the Boroo mine in Mongolia, in which it has a 95% interest.

Three-Year Highlights

Major developments in Cameco's business in each of the fiscal years ended December 31, 2002 to December 31, 2004 were as follows:

2002

Highlights from 2002 included:

- In February 2002, the province of Saskatchewan sold its remaining common shares (10%) of Cameco.
- In March 2002, a Cameco subsidiary acquired a 52% interest in AGR Limited ("AGR"), which interest increased to 56% in December. AGR, through subsidiaries, has a 95% interest in the Boroo gold mine in Mongolia.
- In June 2002, a Cameco subsidiary purchased the Smith Ranch uranium in situ leach mine located in Wyoming, adjacent to the subsidiary's Highland mine.
- In July 2002, Cameco signed a memorandum of agreement as an initial step toward entering into a partnership to construct a $1.1 billion (US) enrichment facility in the United States; however, in March 2003 Cameco announced that it would not enter the partnership.
- In July 2002, a pit wall failure occurred at the Kumtor mine, reducing 2002 gold production from a forecast 700,000 ounces to 528,550 ounces (Cameco's share was one-third).
- In December 2002, Cameco announced an increase in its annual common share dividend from $0.50 to $0.60 per share (these numbers have not been adjusted for the December 31, 2004 stock split). The dividend increase took effect for shareholders of record at the end of the first quarter 2003.
- In December 2002, Cameco signed an agreement, along with others, to collectively purchase 79.8% of Bruce Power from British Energy plc ("BE").

2003

Highlights from 2003 included:

- In February 2003, the purchase of 79.8% of Bruce Power from BE by Cameco, along with others, closed and Cameco's limited partnership interest in Bruce Power, held through subsidiaries, increased from 15% to 31.6%.
- In February 2003, through a subsidiary, Cameco reached an agreement in principle with the Kyrgyzaltyn JSC ("Kyrgyzaltyn") to restructure the ownership of the Kumtor gold mine located in the Kyrgyz Republic. Discussions with the Kyrgyz government were centred on their equity participation in the consolidation of Cameco's gold assets into a new entity that would be publicly listed.

- Production at Cameco's McArthur River mine was temporarily suspended on April 6, 2003, as increased water inflow from an area of collapsed rock in a new development area began to flood portions of the mine. Remedial work to return the mine to a safe operating condition was carried out during the second quarter of 2003 and was sufficiently advanced in early July 2003 for mine production to resume. While mining at the McArthur River mine was suspended, Cameco met all sales commitments with existing inventory and its other supply sources.

- In 2003, the federal government enacted amendments to the *Income Tax Act* (Canada) ("ITA") that reduced the corporate tax rate on income from resource activities from the present level of 28% to 21%, over a five-year period commencing in 2003. Under Canadian accounting rules, the cumulative effect of a change in income tax legislation on future income tax assets and liabilities is included in a company's financial statements in the period of substantial enactment. Accordingly, Cameco reduced its balance sheet provision for future income taxes and recognized a one-time, non-cash income tax adjustment of $86.2 million in the second quarter.

- In October 2003, the remediation work on the Kumtor pit wall, which collapsed in July 2002, was completed. Production at Kumtor during 2003 was 677,552 ounces at an average feed grade of 4.5 g/t (Cameco's share was 225,851 ounces).

- In September 2003, Cameco completed an offering of 5% Convertible Subordinated Debentures due October 1, 2013 for aggregate gross proceeds of $230 million. The Debentures trade on the Toronto Stock Exchange under the symbol "CCO.DB" and can be converted at the option of the holders into Cameco common shares at any time on or prior to maturity based on a conversion price of $21.67 per share ($65.00 prior to the three for one stock split on December 31, 2004), subject to adjustment in certain circumstances.

- In connection with Bruce Power's plans to restart two of the four laid-up units of the Bruce "A" station, Unit 4 was connected to the Ontario electricity grid in October 2003. Unit 4 was declared in commercial production as of November 1, 2003.

2004

Highlights from 2004 included:

- In January 2004, Cameco received guidelines for the scope of the required Environmental Assessment Study Report in support of its application to produce through blending slightly enriched uranium dioxide powder at the Port Hope conversion facility.

- In January 2004, Unit 3, the second of the two units of the Bruce "A" station to be restarted, was reconnected to the Ontario electricity grid. Unit 3 was declared in commercial production as of March 1, 2004. With the restart of the two Bruce "A" nuclear power units, Bruce Power's net generating capacity increased from 3,160 megawatts to 4,660 megawatts.

- In January 2004, Cameco announced that Bruce Power would conduct a study to examine the feasibility of restarting Bruce "A" Units 1 and 2 to serve the province of Ontario's electricity needs.

- In March 2004, Cameco announced that the Boroo gold mine achieved commercial production. Production for the remainder of year at the Boroo gold mine totalled 217,998 ounces at a total cash cost of $149 (US) per ounce.

- In March 2004, Cameco announced that one of its US subsidiaries signed an agreement to purchase a 25.2% interest in the South Texas Project from a subsidiary of American Electric Power for $333 million (US). However, in May 2004, Cameco announced that its subsidiary would not acquire this interest as two of the current owners of the nuclear electricity generator exercised their rights of first refusal to purchase the interest.

- In April 2004, Cameco and the National Atomic Company of Kazakhstan (KazAtomProm) announced that they plan to develop the Inkai uranium deposit in Kazakhstan through their Inkai Joint Venture. The joint venture approved a feasibility study that estimated a total capital cost of $38 million (US) to build an in situ leach mine with planned annual capacity of 2.6 million pounds. Subsequently, the joint venture approved

the expansion of the proposed mine to have a 5.2 million pound annual capacity at an estimated capital cost of $83 million (US). Subject to regulatory approval, this mine is expected to achieve commercial production in late 2007.

- In June 2004, a Cameco subsidiary, along with Compagnie Generale des Matieres Nucleaires ("Cogema"), RWE Nukem Inc. of the United States and its affiliate RWE Nuklear GmBh of Germany (collectively "the Western Companies") finalized an amendment with Techsnabexport ("Tenex"), the commercial arm of the Russian Ministry for Atomic Energy, to their agreement to purchase uranium derived from highly enriched uranium ("HEU") sourced from dismantled Russian nuclear weapons. The amendment provides, amongst other things, that the Western Companies will forego a portion of their future options on non-quota HEU-derived uranium (i.e. quantities for consumption outside the US) to ensure there is sufficient material in Russia for blending down the weapons grade HEU to commercially usable low enriched uranium (LEU).

- In June 2004, Cameco completed the Kumtor restructuring announced in January 2004, which resulted in Cameco transferring substantially all of Cameco's gold assets to Centerra in exchange for common shares of Centerra and the assumption of certain liabilities by Centerra. Centerra completed its initial public offering on June 30, 2004 and began trading on the Toronto Stock Exchange. Cameco indirectly owns 52.7% of Centerra.

- On July 28, 2004, after voting against a new three-year contract, 200 hourly unionized employees at Cameco's Port Hope conversion facility commenced strike action.

- In September 2004, Cameco announced that 200 hourly unionized employees at its Port Hope conversion facility adopted a new three-year contract, ending a seven week strike.

- In October 2004, Cameco announced that it would redeem its 8.75% preferred securities. Cameco redeemed in full the preferred securities on December 17, 2004. The $125 million (US) of preferred securities, due in 2047, were issued in 1998 and had been trading on the New York Stock Exchange

- In November 2004, Cameco announced that, together with TransCanada and BPC Generation Infrastructure Trust, it had requested Bruce Power Inc. to assist in the study of a potential investment in the Point Lepreau nuclear generating station in New Brunswick.

- In December 2004, Cameco announced that its board of directors approved a three-for-one stock split of its outstanding common shares. All shareholders received two additional shares for each share owned on the record date of December 31, 2004. The board of directors also approved an increase in the annual dividend from $0.20 to $0.24 beginning in 2005 (both dividend amounts adjusted for the stock split).

- In December 2004, the Cigar Lake joint venture, after received having received regulatory approval, decided to proceed with the construction of the Cigar Lake uranium project at an estimated cost of approximately $450 million (Cameco's share is $225 million). Construction began in early 2005 and is expected to take approximately 27 months to complete.

2005 Expected Material Developments in the Business

The following are the significant trends, events and commitments known to Cameco that could have a material impact in 2005 on Cameco's business, financial condition or results of operations:

- With respect to expansion into the nuclear generation business, decisions are expected regarding the potential investments in (1) the Bruce A Units 1 and 2 restart program early in 2005 and (2) the Point Lepreau nuclear generating station.

- With respect to its investment in Centerra, Cameco's agreement with the underwriters of Centerra's initial public offering not to sell any of the common shares it holds following the offering except in limited circumstances ends June 30, 2005.

THE NUCLEAR BUSINESS

Overview

The only significant commercial use for uranium is to fuel nuclear power plants for the generation of electricity. In recent years, nuclear plants generated approximately 16% of the world's electricity. According to the World Nuclear Association, nuclear plant electric generating capacity is expected to grow modestly between now and the year 2014, primarily as a result of new reactor construction outside the US and improved reactor operation. The rate of growth is expected to be somewhat below that of the total market for electricity.

The major stages in the production of nuclear fuel are uranium exploration, mining and milling, refining and conversion, enrichment and fuel fabrication. Once a commercial uranium deposit is discovered and reserves delineated, regulatory approval to mine is sought. Following regulatory approval, the mine is developed, uranium ore is extracted and upgraded at a mill to produce uranium concentrates. Mining companies usually sell uranium concentrates to electrical generating companies ("utilities") around the world on the basis of the U_3O_8 contained in the uranium concentrates. Utilities then contract with converters, enrichers and fuel fabricators to produce the required reactor fuel.

Cameco's involvement in the nuclear business consists principally of: (a) exploring for, developing, mining and milling uranium ore to produce uranium concentrates; (b) supplying uranium refining and conversion services to produce UO_2 and UF_6; (c) purchasing uranium from third parties; (d) selling produced and acquired uranium to utilities; and (e) its subsidiaries collectively being a 31.6% limited partner in Bruce Power, which operates North America's largest nuclear electricity generating facility.

Uranium Concentrates Business

Market Background

Demand

The demand for U_3O_8 is directly linked to the level of electricity generated by nuclear power plants. Western world annual uranium fuel consumption has increased from approximately 56 million pounds U_3O_8 in 1980 to about 159 million pounds in 2004. Cameco estimates that annual uranium fuel consumption in the western world will reach 175 million pounds in 2014, reflecting an annual growth rate of 1.0% per year over the period. Demand could be increased slightly by the current trend toward improving plant operating performance or reduced by the premature closing of some nuclear power plants. Demand in the former Soviet Union, Eastern Europe and China was about 21 million pounds in 2004 and is expected to increase to about 35 million pounds in 2014.

Note: In this Annual Information Form when the term "western world" is used, it includes Argentina, Australia, Belgium, Brazil, Canada, Czech Republic, Finland, France, Germany, Hungary, India, Japan, Lithuania, Mexico, Namibia, Netherlands, Niger, Pakistan, Portugal, Romania, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom and United States

Supply

The international uranium supply industry is highly competitive. Uranium supply sources include primary mine production and secondary sources such as excess inventories, uranium made available from the decommissioning of nuclear weapons, re-enriched depleted uranium tails, and used reactor fuel that has been reprocessed. Russia supplies most of the requirements of the former Soviet Union and Eastern European countries from inventories, reprocessing of used reactor fuel and primary mine production.

Primary Production

The uranium production industry is international in scope with a small number of companies operating in relatively few countries. In 2003 (the latest year for which figures are available), approximately 80% of the estimated world production of 93 million pounds U_3O_8 was provided by eight producers: Cameco, Cogema, Energy Resources of Australia Ltd., Rossing Uranium Limited and WMC Resources Ltd. in the western world, and KazAtomProm in Kazakhstan, NAVOI Mining Metallurgical Kombinat in Uzbekistan and Priargunsky Industrial Mining and Chemical Enterprise in Russia. Approximately 90% of estimated world production was sourced from eight countries (in order of production, from greatest to least): Canada, Australia, Kazakhstan, Russia, Niger, Namibia, Uzbekistan, and the US.

The Canadian uranium industry has, in recent years, been the leading supplier with production of approximately 27 million pounds U_3O_8 in 2003, or about 29% of world production. Production from Cameco operated mines in Canada and the US in 2004 was approximately 26.2 million pounds. Cameco's share of this production was approximately 20.5 million pounds.

Subject to the constraints described below, all primary production is available to meet the demand of the nuclear power industry in the western world.

Secondary Sources

Each year since 1985, western world uranium production has been less than western world utility uranium consumption. The resulting shortfall has been covered by a number of secondary sources. Excess inventories held by utilities, producers, other fuel cycle participants and governments (including Russian government inventories) have been and continue to be a significant source of supply. Utilities in Europe also use reprocessed uranium and plutonium derived from used reactor fuel as a source of supply. In addition, in recent years, another source of supply has been re-enriched depleted uranium tails generated using excess enrichment capacity. Cameco estimates these two recycling sources will meet about 8% of western world demand to 2014. Finally, uranium derived from the dismantling of Russian nuclear weapons has become a significant source of supply and could meet about 11% of western world demand to 2013. A limited amount of uranium from the US nuclear weapons program has been introduced into the market, but this is not expected to become a significant supply source.

Uranium from Nuclear Disarmament

In February 1993, the United States and Russia signed an agreement (the "Russian HEU Agreement") to manage the sale of HEU. Under this agreement, over a term of 20 years, 500 tonnes of HEU, derived from dismantling Russian nuclear weapons, are to be diluted in Russia and delivered to the United States as low enriched uranium ("Disarmament LEU"), suitable for use in nuclear power plants. Disarmament LEU scheduled for delivery during the 20-year period represents approximately 400 million pounds of natural uranium as U_3O_8 ("Disarmament Uranium").

The USEC Privatization Act, which became law in 1996, regulates the introduction of Disarmament Uranium into the US market. Under the USEC Privatization Act, Disarmament Uranium delivered after 1996 may be sold into the US market beginning in 1998 subject to an annual quota. The quota for 2004 was 14 million pounds U_3O_8. In 2005 the quota will be 16 million pounds and thereafter will increase by 1 million pounds per year to a maximum of 20 million pounds per year beyond 2008.

Disarmament Uranium delivered in 1995 and 1996, totalling 14 million pounds U_3O_8 equivalent, was purchased by the United States Department of Energy ("DOE"). Under the USEC Privatization Act, 5 million pounds U_3O_8 equivalent was subsequently repurchased by Russia for matched sales into the US market. The remaining 9 million pounds U_3O_8 equivalent of this material was to be sold by DOE prior to the end of 2003 in quantities not exceeding 3 million pounds per year. As of the end of 2004, DOE had not sold any of this material. However, in the fourth quarter of 2004, DOE transferred to USEC about 5.5 million pounds of this material in exchange for an equivalent volume of contaminated uranium that DOE provided to USEC when it was privatized. In addition, DOE transferred to USEC an additional 2.3 million pounds of this material in exchange for USEC services to purify the contaminated uranium.

In 1999, DOE purchased 28 million pounds U_3O_8 equivalent contained in the Disarmament LEU delivered by Russia in 1997 and 1998. DOE purchased this material pursuant to the bilateral agreement related to the HEU Commercial Agreement. This material, along with an additional 30 million pounds of DOE inventory, is included in a US stockpile to be withheld from the market until March 2009.

In 2005 and each year thereafter, Russia plans to deliver LEU from 30 tonnes of HEU, about 24 million pounds U_3O_8 equivalent, until the Disarmament LEU derived from the entire 500 tonnes (about 400 million pounds U_3O_8 equivalent) included under the Russian HEU Agreement has been delivered to the United States. To the end of 2004, about 182 million pounds U_3O_8 equivalent had been delivered.

The DOE has requested "expressions of interest" for the purchase of 15 to 17.4 tonnes of HEU which would be diluted to LEU (equivalent to about 7.6 million pounds U_3O_8 and 2.9 million kilograms of conversion services) from its stockpile of HEU to be available to the market in approximately equal annual amounts from 2006 through 2009. A formal request for proposals may be issued by the DOE in the first quarter of 2005.

HEU Commercial Agreement

On March 24, 1999, the Western Companies signed an agreement with Tenex (such agreement, as subsequently amended, the "HEU Commercial Agreement"). Under the HEU Commercial Agreement, the Western Companies were granted options to purchase a majority of the Disarmament Uranium.

On November 16, 2001, Tenex and the Western Companies signed an amendment to the HEU Commercial Agreement. Under the terms of the amendment, the Western Companies committed to exercise their options to purchase a quantity of uranium (about 124 million pounds U_3O_8) equal to their share of the annual quota under the USEC Privatization Act for the period 2002 to 2013. A Cameco subsidiary's share is 53 million pounds. Tenex retained about 82 million pounds to sell under its share of the US quota. The Western Companies have exclusive options to purchase the balance of the Disarmament Uranium. From 2001 to 2003, a Cameco subsidiary exercised options for an additional 18 million pounds.

A series of related agreements between the US and Russian governments (collectively, the "Bilateral Agreement"), which are integral to the HEU Commercial Agreement, require Tenex to return to Russia the Disarmament Uranium not purchased by the parties to the HEU Commercial Agreement or sold by Tenex, and allows Russia to use about 7 million pounds U_3O_8 equivalent annually for blending down HEU to Disarmament LEU. Pursuant to Bilateral Agreement, the balance of the returned uranium is to be placed in a monitored stockpile. In the event the monitored stockpile exceeds 58 million pounds U_3O_8 equivalent, Russia is permitted to sell the excess into supply contracts in existence on March 24, 1999, mainly with utilities in Eastern Europe.

Tenex had been selling its share of the US quota through a contract with Globe Nuclear Services and Supply GNSS, Limited ("GNSS"). In November 2003, Tenex terminated its contract with GNSS effective January 2004, stating that "the terms of the contract with GNSS are contrary to the interests of the Russian Federation." Tenex has indicated an intention to meet all of the GNSS delivery commitments, reportedly amounting to about 31 million pounds U_3O_8 equivalent.

On June 16, 2004, Tenex and the Western Companies signed a further amendment to the HEU Commercial Agreement. The amendment provides, among other things, that the Western Companies will forego a portion of their future options on non-quota HEU-derived uranium (i.e. quantities for consumption outside the US) to ensure there is sufficient material in Russia for blending down HEU to commercially usable low enriched uranium. This amendment was due to Russia's rising requirements for uranium to fuel their expanding nuclear plant construction program within Russia and abroad. The amendment to the HEU Commercial Agreement was approved by the US and Russian governments.

This amendment resulted in the Western Companies exercising most of their options under the HEU Commercial Agreement, giving them firm purchase commitments for almost 163 million pounds of uranium from 2004 through to the end of 2013.

Due to this further amendment and the Tenex termination of its agreement with GNSS, the amount of HEU-derived uranium that theoretically would have been available to the market in the western world has been reduced by about 74 million pounds in the period 2004 through 2013, along with the contained conversion component of some 28 million kilograms of uranium as UF_6. The 74 million pounds is made up of about 30 million pounds of Tenex material that will be returned to Russia and the remaining 44 million pounds is the monitored inventory as of the end of 2003.

Trade Restraints and Policies

The US government and the European Union ("EU") have limited the access of Commonwealth of Independent States ("CIS") suppliers to their respective markets. In the US, an ad hoc committee of uranium producers and other companies filed an anti-dumping suit against the former Soviet Union in 1991. The resulting settlement was effected in suspension agreements signed in October 1992 by the US Department of Commerce ("DOC") with Russia, Uzbekistan, Kazakhstan and Kyrgyz Republic. The suspension agreements with Uzbekistan, Kazakhstan and Kyrgyz Republic have since terminated.

The suspension agreement with Russia was expected to expire at the end of March 2004. Under this agreement, approximately 4 million pounds of Russian U_3O_8 per year were allowed to be imported into the US, but only to the extent matched in sales with an equal volume of new US production. DOC has taken the position that the agreement remains in effect, but there are now no longer affirmative quotas for certain types of commercial Russian uranium

imports into the US, including matched sales. Imports of Disarmament Uranium, as well as Russian uranium imported into the US for processing and then re-exported, continue uninterrupted and are not subject to the limits set forth in the agreement. Cameco expects the DOC will undertake a sunset review of the suspension agreement in the second half of 2005. The review will involve the DOC examining whether there is a likelihood of dumping absent the suspension agreement and having the US International Trade Commission examine whether termination of the agreement would lead to material injury or threat of material injury to the US industry. The final results of the sunset review are expected in 2006.

The Euratom Supply Agency in Europe, which must approve all uranium-related contracts entered into by members of the EU, has an informal policy limiting the use of Russian uranium to about 20% of annual individual utility requirements.

The US and EU restrictions have no effect on the sales of Russian uranium to other countries. About one-quarter of western world uranium requirements arise from utilities in countries unaffected by the US and EU restrictions. In 2004, approximately 26% of Cameco's sales volume was to countries not subject to US or EU restrictions. Utilities in some of these countries adopt policies which effectively limit the amount of Russian uranium they will purchase. Such policies often relate to security of supply concerns or their country's bilateral relations with Russia.

Prices

Utilities secure a substantial percentage of their uranium requirements by entering into medium and long-term contracts with uranium producers. These contracts usually provide for deliveries to begin one to three years after signing and continue for several years thereafter. In awarding medium and long-term contracts, Cameco believes utilities consider the commercial terms offered, including price, as well as the producer's record of performance and uranium reserves.

Prices are established by a number of methods including base prices adjusted by inflation indices, reference prices (generally spot price indicators but also long term reference prices) and annual price negotiations. Many contracts also contain floor prices, ceiling prices and other negotiated provisions that affect the price ultimately paid. For example, ceiling prices limit the upside potential of price movement, while conversely floor prices establish a minimum price that will ultimately be paid. Prices under uranium supply contracts are usually confidential.

Utilities also acquire uranium through spot and near-term purchases from producers and traders. Spot market purchases are those that call for delivery within one year. Traders generally source their uranium from organizations holding excess inventory including utilities, producers and governments. Demand in the spot market in 2004 decreased to about 18 million pounds U_3O_8 from 22 million pounds U_3O_8 in 2003.

The industry average spot price for U_3O_8, published by TradeTech and the U_x Consulting Company, LLC, increased by approximately 43% in 2004 ending the year at $20.60 (US) per pound compared to $14.45 (US) per pound at the end of 2003. The long term average contract price for uranium, as published by TradeTech and the U_x Consulting Company, LLC, increased in 2004 by approximately 61% ending the year at $25.00 (US) per pound compared to $15.50 (US) (Trade Tech) per pound at the end of 2003.

Marketing

Cameco markets uranium to utilities in direct competition with supplies available from various sources worldwide. Cameco's marketing strategy is to commit its uranium production under medium-term (three to five years) and long-term (greater than five years) contracts with a diversified mix of pricing mechanisms, as described above.

Sales contracts typically contain some quantity flexibility that enables the purchaser to reduce or increase the amount of uranium to be delivered from year to year within a specified range. In general, utilities purchase from multiple suppliers in order to diversify their sources. Cameco sells uranium concentrates to utilities in Argentina, Belgium, Canada, Finland, France, Germany, Japan, South Korea, Spain, Sweden, Taiwan, United Kingdom, and the US.

In 2004, approximately 37% of Cameco's U_3O_8 sales were to five customers. Cameco currently has commitments in excess of 150 million pounds U_3O_8 under 70 medium-term and long-term contracts with about 40 customers worldwide. Cameco's five largest customers account for approximately 53% of these commitments. 57% of Cameco's committed sales volume is to purchasers in the Americas (US, Canada and Latin America), 14% in the Far East and 29% in Europe.

Cameco generally does not sell into the spot uranium market. Cameco, however, has taken advantage of low spot and long-term market prices to purchase uranium under spot and long-term contracts and may make additional purchases of these type in the future. At December 31, 2004, Cameco had firm commitments to purchase approximately 71 million pounds U_3O_8 over the 2005-2013 period, of which 60 million pounds is the result of the exercise of options under the HEU Commercial Agreement by a Cameco subsidiary.

Over the past several years, Cameco's strategy was to ensure adequate cash flow in the near term, while preserving upside potential with a mix of market-price related and fixed-price contracts.

In early 2004, Cameco announced that its sensitivity to quickly rising market prices was limited for the near term by ceiling prices in many contracts. These contracts were signed in recent years when spot prices, and related ceiling prices, were much lower than price levels at December 31, 2004. For example, 2003 was the first year this decade in which the average spot price rose above $10.00 (US) per pound U_3O_8. Accordingly, even though spot market prices have continued their rise above $20.00 (US), the benefit to Cameco under these contracts will be limited by the ceiling prices until the contracts expire.

Long-term price indicators provide guidance as to the level of fixed prices being signed in the long-term contract market. From 2001 to 2003, the long-term price indicator averaged less than $11.00 (US) per pound, and some of Cameco's current fixed-price contracts reflect the low long-term prices from that period. In 2004, the long-term price averaged more than $20.00 (US) per pound, ending the year at $25.00 (US).

Given the level of sales targeted each year (32.3 million pounds in 2004), Cameco is continually in the market signing new contracts for deliveries beginning in two to three years. About 25% to 30% of the current contract portfolio expire each year, and is therefore replaced in large part with contracts that were entered into in the past two to three years.

During this period of rapidly increasing prices, both spot and long-term, the Company has continued to enter into new multi-year contracts. The new contract portfolio will reflect a mix of fixed and market-related prices. For the time being generally the Company continues to target its traditional blend of pricing mechanisms; that is 40% of sales volume with fixed pricing and 60% sensitive to market pricing. Contracts with market related pricing will reference the spot or long-term price indicators quoted near the time of delivery. These market related contracts typically contain ceiling and floor prices. However, in recent months, Cameco has been offering ceiling prices much higher than current spot prices, if at all. Cameco has also been negotiating floor price protection which has been in the range of current spot prices.

As of December 31, 2004, the following table indicates the approximate percentage of targeted sales volume that will be impacted by further increases in the market price above $20.60 (US) per pound U_3O_8. As shown in the table below, the proportion of targeted sales that is sensitive to further increases in the market price grows significantly in 2006 and continues in 2007 and 2008.

	% Sales Target			
	2005	**2006**	**2007**	**2008**
Price Insensitive (1)	91%	65%	59%	43%
Price Sensitive (2)	9%	35%	41%	57%

Notes:

(1) Fixed-price contracts and market-related contracts not sensitive to increases in the spot price above year-end 2004 level of $20.60 (US) per pound. The fixed-price contracts will have prices that were fixed at the time of contract signing. This means the Company has contracts at fixed prices below and above the current spot market prices and they fall into the category of "insensitive" to market price

(2) Market-related contracts plus uncommitted volumes

Mining Properties

The Company's uranium production is from two sources in Saskatchewan and two sources in the US. The Saskatchewan sources are the Rabbit Lake mine and mill and the combined McArthur River mine – Key Lake mill. The US sources are Crow Butte and Smith Ranch-Highland in situ leach ("ISL") operations. Cameco has two material uranium properties, McArthur River, which is being mined, and Cigar Lake, which is being developed.

The Key Lake mill processes McArthur River ore and stockpiled ore from the depleted Key Lake mine. Mining at Key Lake ended in 1997.

The following table shows Cameco's share of uranium production for the past three years from its uranium properties (all in pounds U_3O_8):

	2002	2003 (1)	2004 (1)
McArthur River (2)	12,905,000	10,579,000	13,066,000
Rabbit Lake	1,143,000	5,928,000	5,427,000
Smith Ranch-Highland (3)	887,000	1,201,000	1,242,000
Crow Butte	768,000	823,000	826,000
Key Lake	190,000	—	—
Total	15,893,000	18,531,000	20,561,000

Notes:

(1) This does not include nominal test mining production from Inkai.

(2) Milled at Key Lake.

(3) A Cameco subsidiary acquired Smith Ranch in June 2002. Smith Ranch-Highland 2002 production figure includes the subsidiary's share of Smith Ranch production after closing of the acquisition.

McArthur River

McArthur River is an underground uranium mine, in which Cameco has a direct and indirect interest of 69.805%. It contains the world's largest known high-grade uranium deposit. McArthur River is owned by joint venture partners Cameco (55.844%), Cogema (16.234%) and UEM (27.922%), a company equally owned by Cameco and Cogema. Cameco is the operator. At December 31, 2004, the Company's share of proven and probable reserves was 540,000 tonnes of ore containing 292.8 million pounds U_3O_8 with an average grade of 24.6% U_3O_8, its share of measured and indicated resources was 58,000 tonnes containing 12.0 million pounds U_3O_8 with an average grade of 9.4% U_3O_8, and its share of inferred resources was 351,000 tonnes containing 73.7 million pounds U_3O_8 at an average grade of 9.5% U_3O_8.

At an assumed annual production rate of 18 million pounds, Cameco estimates that McArthur River will have a mine life of at least 25 years and a payback period of capital invested of approximately 5 years after 2004.

Property Description and Environment

This property is located near Toby Lake in northern Saskatchewan, approximately 620 kilometres north of Saskatoon. The McArthur River mine site is compact, occupying approximately an area of one kilometre in the north/south direction and half a kilometre in the east/west direction. The site consists of an underground mine, one full service shaft and two ventilation shafts along with numerous surface facilities, including inert waste rock stockpiles, a large capacity mine water treatment plant, a pump house, ponds, standby diesel generators as well as maintenance and warehousing facilities. Other major facilities include the ore body freezing plant, the administration/shop complex, the ore slurry handling and truck load-out facility.

The surface facilities and mine shafts for the McArthur River operation are located on lands owned by the province of Saskatchewan. Cameco acquired the right to use and occupy the lands under a surface lease agreement with the province of Saskatchewan. The most recent surface lease agreement was signed in April 1999 and is valid for 33 years. Obligations attached to the surface lease relate primarily to annual reporting regarding the status of the environment, land development and progress on northern employment and business development. The lease is renewable if necessary until full property decommissioning has been achieved. The McArthur River surface lease presently covers about 651 hectares.

The mineral property consists of 21 mineral claims and one mineral lease totalling 84,818 hectares.

The McArthur River uranium deposit is located in the area subject to mineral lease ML5516. Under this mineral lease Cameco acquired the right to mine this deposit. The current mineral lease expires in March 2014 with the right to renew for successive 10 year terms absent a default by Cameco.

Surrounding the McArthur River uranium deposit are 21 mineral claims. Title to the 21 mineral claims is secured until 2017. A mineral claim grants the holder the right to explore for minerals within the claim lands and the right to apply for a mineral lease.

All resources and reserves on the property are part of the McArthur River deposit.

For additional information on mineral leases, mineral claims and surface leases, see “Land Tenure-Saskatchewan Operations”.

Uranium produced from this property is subject to Saskatchewan royalties as described in “Government Regulation-Canadian Royalties and Certain Taxes”.

The property is subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has filed with the provincial government a conceptual decommissioning and reclamation plan and has provided a $6.0 million letter of credit as security for decommissioning the property.

Site accessibility, infrastructure and physiography

The means of access to the property is by an all-weather road and by air. Supplies are transported by truck and can easily be shipped from anywhere in North America through Cameco’s transit warehouse in Saskatoon. McArthur River ore is transported to the Key Lake mill for processing some 80 kilometres to the southwest along a gravel highway. Site operations are carried out all year despite cold winter conditions. The fresh air necessary to ventilate the underground workings is heated during the winter months using propane-fired burners. There is easy access to and sufficient water from nearby Toby Lake to satisfy all industrial and residential water requirements. To minimize fresh water use, most industrial water demands are met by recycling water. The site is connected to the provincial power grid. There are standby generators in case of grid power interruption. Personnel are recruited from the northern area communities and major Saskatchewan population centers such as Saskatoon. Underground development work is tendered to a mining contractor. Cameco personnel conduct all production functions.

McArthur River is a developed producing property, with surface right holdings that cover all of its mining operation needs as well as requirements for residences, access to water, airport, site roads and other necessary buildings and infrastructures. No tailings management facilities are required as McArthur River ore is milled at the Key Lake mill.

The topography and the environment are typical of the taiga that is common to the Athabasca basin area of northern Saskatchewan. The surface facilities are approximately 550 metres above sea level.

History

There have been numerous changes in ownership of participating interests in the joint venture that governs the McArthur River property. The joint venture was formed in 1976 and the joint venture partners at that time were Canadian Kelvin Resources, Asamera Oil Corporation Ltd., and SMDC, a predecessor company to Cameco. Recently, the two most significant changes in ownership have been:

- In 1998, Cameco bought all of the shares of Uranerz Exploration and Mining Ltd. (and changed Uranerz’s name to UEM), thereby increasing its direct and indirect participating interest in the McArthur River joint venture to 83.766%.

- In 1999, Cogema acquired one-half of the shares of UEM, thereby reducing Cameco’s direct and indirect participating interest in the McArthur River joint venture to 69.805%. Cogema’s direct and indirect participating interest in the McArthur River joint venture is 30.195%.

Cameco, through its predecessor company SMDC, became operator of the McArthur River project in 1980.

Surface exploration programs were active from 1980 through to 1992. Significant mineralizations of potentially economic uranium grades were first discovered as a result of surface drilling in the 1988 and 1989 exploration seasons. Surface drilling programs delineated a mineralized zone over 1,700 metres in length, occurring at depths ranging between 530 to 640 metres below surface.

In 1992, an underground exploration program was proposed to gain more accurate information regarding the discovery in order to complete an assessment of the means and feasibility of ore extraction. Upon review by the joint Federal/Provincial Panel, and upon receiving the Panel’s positive recommendation, exploration camp construction began in February 1993 and underground exploration proceeded with shaft sinking, level development and definition underground drilling until 1997.

The environment impact statement for the full McArthur River development was submitted to the joint Federal/Provincial Panel in 1995. Public hearings took place and were completed in 1996. A positive recommendation was made by the panel in early 1997. Subsequently, approvals were received from the

governments of Canada and Saskatchewan for the project to proceed to licensing for construction. The Atomic Energy Control Board ("AECB") issued construction licences for McArthur River in August 1997 and May 1998.

In October 1999, Cameco received an operating licence from federal authorities and operating approval from provincial authorities.

Mine Development

Construction and development of the McArthur River mine was completed on schedule and mining commenced in December 1999. During the mine start-up, also known as mine commissioning, the operation of processing and mining equipment was evaluated and modified as required. Upon completion of mine commissioning, commercial production was achieved on November 1, 2000.

At present, the site includes three shafts. The first shaft is used to move workers, material and waste rock. The second shaft is used for mine exhaust air ventilation and as an emergency exit. The third shaft was completed in November 2000 and is equipped as a third means of egress. This third shaft is also used for fresh air ventilation.

Geology and Mineralization

The McArthur River deposit is located in the south-eastern portion of the Athabasca Basin, within the south-west part of the Churchill structural province of the Canadian Shield. The crystalline basement rocks underlying the deposit are members of the Aphebian aged Wollaston Domain, metasedimentary sequence. These rocks are overlain by flat lying, unmetamorphosed sandstones and conglomerates of the Helikian Athabasca Group. These sediments are over 500 metres thick in the deposit area.

The mineralization is situated alongside a northeast trending graphitic fault, close to the unconformity between the basement rock and the overlying Athabasca sandstone.

Exploration, Drilling and Estimates

The original McArthur River resource estimates were derived from surface diamond drilling. The drill hole data consists of assay results from 42 drill holes compiled with all relevant geological and technical data. The very high grade encountered in these drill holes justified the development of an underground exploration project.

From 1994 to present, several drilling campaigns from underground levels at 530 metres and 640 metres depth were completed. Diamond drilling was followed by systematic radiometric probing of the holes using a high flux probe adapted to the very high radioactivity encountered. Drill holes intersected mineralized zones on a grid spacing of 10 x 10 metres or less. Radiometric probing was at 0.10 metre spacing in the radioactive zones. Where core recovery allows it, sampling and assaying of the cores as well as density measurements are performed to confirm correlations.

The data from more than 750 underground exploration holes drilled have been interpreted and estimates of reserves have been made in four mineralized zones. In addition to this drilling, more than 330 freeze holes and raisebore pilot holes have provided data supporting the interpretation.

Underground drilling programs have further delineated approximately 600 metres of the 1,700-metre mineralized zone delineated by surface drilling.

Cameco has developed and implemented procedures for quality control, data verification and security of sampling that it believes will assure the integrity of information resulting from drilling activities at McArthur River.

Mine Operations

Two permits must be maintained to operate the mine. Cameco holds a "Uranium Mine Facility Operating Licence" from the Canadian Nuclear Safety Commission ("CNSC") and an "Approval to Operate Pollutant Control Facilities" from Saskatchewan Environment ("SE"). Both permits are current. The CNSC license expires on October 31, 2008. The SE license expires on October 31, 2009.

The sandstones that overlay the basement rocks contain significant water, which is at hydrostatic pressure. Water flow into the mine area is prevented primarily by ground freezing. Ore extraction is performed by the raise boring method, with broken ore falling to the extraction level. A line-of-sight remote controlled loader transports the ore to a grinding circuit. This circuit grinds the ore to a size that is acceptable for the Key Lake leaching circuit. From the

grinding circuit, ore is pumped 680 metres up to four surface ore slurry holding tanks. Ore is drawn out of the surface ore slurry holding tanks and pumped into containers on a transport truck for shipment to the Key Lake mill over an 80 kilometre all-weather road. Once a raise has been bored through the ore zone, it is backfilled with concrete. After all the rows of raises are complete in a chamber, equipment is removed from the area and the chamber is backfilled with concrete. A new chamber is excavated to allow for the next area to be mined and the cycle is repeated.

Production at Cameco's McArthur River mine was temporarily suspended on April 6, 2003, as increased water inflow from an area of collapsed rock in a new development area, located just above the 530-metre level, began to flood portions of the mine. Remedial work to return the mine to safe operating condition was carried out during the second quarter of 2003 and was sufficiently advanced in July 2003 for mine production to resume. The excess water inflow was sealed off in July 2004. Permanent water treatment capacity has been expanded to about 750 m^3/hr. During the water inflow incident, additional temporary capacity was put in place to treat the water flows. Construction is underway to increase the permanent and contingency water treatment capacity to about 1,500 m^3/hr and is expected to be completed in the third quarter of 2005.

The McArthur River mine produced 18.7 million pounds U_3O_8 in 2004 (Cameco's share is 13.1 million).

The mining method for some portions of the ore body will not be the raise boring method, with the alternate mining method or methods of boxhole boring and/or jetboring not yet confirmed.

Milling

The McArthur River joint venture has entered into a toll milling agreement with the Key Lake joint venture to process all the ore from the McArthur River mine. The terms of the agreement include a provision for processing at cost plus a fixed toll milling fee. The Key Lake joint venture is operated by Cameco and is owned by Cameco (66 2/3%) and UEM (33 1/3%). UEM is owned equally by Cameco and Cogema.

At the Key Lake mill, McArthur River ore is blended with low grade mineralized waste rock down to approximately 4% U_3O_8. The uranium is then dissolved in a leaching circuit. Uranium solution is then separated from the remaining ore solids in a counter current decantation circuit. The uranium solution is further concentrated in a solvent extraction circuit. The uranium is precipitated out of solution by the addition of ammonia. The ammonium diuranate is thickened and centrifuged before being transferred to a calciner. The calciner dries and calcines the uranium oxide concentrate before it is packed into 200 litre drums. The final product is about 99 % U_3O_8.

Two permits must be maintained to operate the mill. Cameco holds a "Uranium Mill Operating Licence" from the CNSC and an "Approval to Operate Pollutant Control Facilities" from SE. Both permits are current. The CNSC license expires on October 31, 2008. The SE license expires on November 30, 2009.

The CNSC has indicated that the proposed increase of the production license to 22 million pounds U_3O_8 per year will require a screening level environmental assessment (EA) under the Canadian Environmental Assessment Act. A hearing was held on September 15, 2004 to review EA guidelines for the production increase. Cameco anticipates a decision from the CNSC in late 2005. If approval is received, Cameco expects it will take a couple of years to ramp up to optimum production, which may be less than full capacity.

There are two tailings management facilities at the Key Lake site. One is an above-ground impoundment with tailings stored within compacted till embankments. This facility, constructed in 1983, has not received tailings since 1998. Cameco is reviewing several decommissioning options regarding this facility.

The other tailings management facility ("TMF") is the Deilmann pit. The east-end of the Deilmann pit was mined out in April 1995 and then converted to a TMF that has been in operation since the beginning of 1996. The west-end of the Deilmann pit was mined out in 1997 and then converted to a TMF. The Deilmann TMF uses a staged subaerial/subaqueous tailings deposition mode with an initial pervious sand envelope constructed around the perimeter of the pit. The sand envelope allows excess water to drain to a drainage blanket underlying the tailings at the bottom of the pit and then to dewatering pumps in a raise well connected by a drift to the drainage blanket. At the end of 1998, approval was received from the CNSC and Saskatchewan Environment Resource Management to cease construction of the sand envelope and convert the mode of tailings deposition from subaerial to subaqueous. This is in accordance with the environmental impact statement prepared and approved for the tailings facility. Conversion started immediately. Flooding commenced in June 1999. Based upon the most recent mine reserve estimate, Cameco estimates the Deilmann TMF has adequate capacity to hold the tailings from milling McArthur

River ore. However, Cameco is presently reviewing the Deilmann TMF capacity in light of past and ongoing changes in pit geometry and potential additional storage requirements for tailings from processing other mineralized material. Depending upon the results of that review, it may be necessary to seek regulatory approval for an increase of the nominal Deilmann TMF capacity and related design adjustments.

There are five large rock stockpiles at the Key Lake site. Three of the stockpiles contain non-mineralized waste rock and two contain low grade mineralized waste rock. The latter is currently used to lower the grade of McArthur River ore to approximately 4% U_3O_8 before entering the milling circuit, both to process the low grade material and control radiation exposures in the mill. Remaining waste rock stockpiles will require decommissioning upon site closure. As a condition of Cameco's CNSC license renewal in 2004, the Company updated the CNSC on its decommission plans for this waste rock.

The Key Lake property is subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has filed with the provincial government a conceptual decommissioning and reclamation plan and has provided a $38 million letter of credit as security for decommissioning the property.

Safety and Radiation Control

At McArthur River, a key source of radiation exposure during mining results from radon gas that emanates from ore and groundwater. Radon exposure is minimized by effective use of ventilation. Water inflows are collected underground and pumped to the surface for treatment before being released to the environment. Exposure to radiation from the high-grade ore is minimized by containment, shielding and remote handling.

The radiation levels that workers at McArthur River and Key Lake receive are closely monitored. This includes the use of both personal and area monitoring to measure and control exposures.

Under the CNSC's Nuclear Safety and Control Act, radiation exposure limits incorporate a formula that combine the doses of gamma radiation, radon and dust intake which an individual receives in a year. Since mine start up radiation exposure levels at both the mine and the Key Lake mill have been well below applicable standards.

McArthur River Resource and Reserve Estimates

The mineral reserve and resource estimates for McArthur River are found at "Uranium Concentrates Business-Reserves and Resources". The key assumptions, parameters and methods used in making these estimates are:

1. Key Assumptions

   (a) the reserves reported are in situ reserves without provision for dilution or mining recovery for the following reasons:

      (i) the grade of ore zones is so high that some waste or subgrade material that is produced by mining must be blended with ore in order to control radiation exposure, in accordance with the terms of the CNSC operating licence;

      (ii) mining recovery is expected to be almost total in this high-grade ore by means of current and planned mining methods; and

      (iii) mining recoveries since early 2000 to the end of 2004 have exceeded expectations.

   (b) For the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of $21.80 (US) was used. For the purpose of estimating reserves in accordance with United States Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of $13.40 (US) was used. Estimated reserves at McArthur River are the same using either uranium price.

2. Key Parameters

   (a) grades were obtained from radiometric probing of underground drill holes and converted to percentage U_3O_8 on the basis of a correlation between radiometric counts and assay values;

(b) densities were determined from regression formulas based on 374 density measurements of drill core and chemical assay grades;

(c) limits and continuity of the mineralization are structurally controlled; and

(d) reserves at McArthur River are based on estimated quantities of mineralized material recoverable by established mining methods.

3. Key Methods

(a) three-dimensional wireframe models were created from digitized mineralization boundaries interpreted on 10 metre spacing vertical cross-sections and planviews. Estimates of the grade and density of blocks of 1 metre x 5 metre x 1 metre were obtained from ordinary kriging; and

(b) reserves are defined as the economically mineable part of the indicated and measured resources. Only reserves have demonstrated economic viability. The amount of reported resources does not include amounts identified as reserves.

Although Cameco believes that McArthur River reserve and resource estimates will not be materially affected by external factors, such as metallurgical, safety and environmental, permitting, legal, title, taxation and political issues, there can be no assurance that they will not be. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drillings, testing and production, as well as a material change in the uranium price, subsequent to the date of the estimate, may justify revision of such estimates.

In January 2003 Cameco initiated a formal review of the mining plan and proposed mining methods and a review of the reserves classification at McArthur River as a result of uncertainty associated with the productivity of the jetboring and boxhole boring mining methods at McArthur River and not as a result of the water inflow event. The jetboring and boxhole boring mining methods may be utilized for parts of the ore body where the raise boring method may be inappropriate. The completion of the review reflecting this uncertainty resulted in the reclassification as of December 31, 2003 of 51.8 million lbs U_3O_8 of proven reserves to probable reserves at McArthur River.

At the end of 2004, Cameco reclassified about 73.7 million pounds of indicated resources to inferred resources. Based upon Cameco's experience in underground mining at McArthur River, Cameco has less confidence in the estimate for it to be used to support mine planning and economic evaluation of this part of the ore body, as is necessary for it to remain as an indicated resource. This estimate is based upon widely spaced historical surface drilling only. Further delineation of this part of the ore body by underground drilling is necessary to provide more confidence in the estimate. Cameco is embarked on an underground drilling program in an attempt to provide sufficient information for part of this resource to be upgraded to a reserve.

Other McArthur River Information

For information pertaining to:

(a) markets and contracts for sale of uranium produced from McArthur River, see "Uranium Concentrates Business-Marketing"; and

(b) taxes and royalties on McArthur River uranium production, see "Government Regulation-Canadian Royalties and Certain Taxes" and "Government Regulation-Canadian Income Taxes".

There are some exploration and development activities planned for the McArthur River operation in 2005 but these are not considered to be material.

Rabbit Lake

Rabbit Lake is a uranium mining and milling complex that has been in operation since 1975 and is wholly owned by Cameco. The Eagle Point mine, located on the Rabbit Lake lease, was reopened in 2002, ending a care and maintenance period of three years. Following resumption of Eagle Point ore production, the Rabbit Lake mill also resumed operation in 2002, ending a one-year care and maintenance period. Based upon the current mine plan,

Rabbit Lake reserves are forecast to be depleted in 2007. The mineral reserve and resource estimates for Rabbit Lake are found at “Uranium Concentrates Business-Reserves and Resources”.

Cameco has been carrying out exploration and delineation drilling in the vicinity of the Eagle Point mine since 2003. Results to date have added 7.4 million pounds of probable reserves and extended the mine life. Prospects for additional reserves have been identified near the current mine. Cameco is conducting exploration from surface and underground in an attempt to further extend the Eagle Point mine life.

There are two permits that must be maintained to conduct mining and milling activities at Rabbit Lake. Cameco holds a “Uranium Mine Operating Licence” from the CNSC and an “Approval to Operate Pollutant Control Facilities” from SE. Both permits will expire on October 31, 2008.

The property is subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has filed with the provincial government a conceptual decommissioning and reclamation plan and has provided a $36 million letter of credit as security for decommissioning the property.

Subject to regulatory approval, it is expected that the Rabbit Lake mill will process approximately one-half of the Cigar Lake uranium for a period of some 12 years. Deliveries of Cigar Lake uranium to the Rabbit Lake mill may commence in 2009. An environmental impact statement for the processing of uranium from the Cigar Lake mine at Rabbit Lake is expected to be filed with regulators in 2006**.**

Crow Butte

Crow Butte, which has been in production since 1991, is an ISL uranium operation located near Crawford, Nebraska, USA. Cameco holds a 100% interest in Crow Butte through its wholly owned subsidiary, Crow Butte Resources Inc. The mineral reserve and resource estimates for Crow Butte are found at “Uranium Concentrates Business-Reserves and Resources”.

Crow Butte is subject to decommissioning liabilities. In accordance with regulatory requirements, the operator of the property has provided a $16.1 million (US) letter of credit to the State of Nebraska as security for decommissioning the property.

Smith Ranch – Highland

Smith Ranch – Highland is an ISL uranium operation located near the towns of Glenrock and Douglas, Wyoming, USA. It is owned 100% by Cameco through its wholly owned subsidiary, Power Resources, Inc. (“PRI”). The mineral reserve and resource estimates for Smith Ranch – Highland are found at “Uranium Concentrates Business-Reserves and Resources”.

In July 2002, PRI purchased the Smith Ranch ISL uranium operation. It is located in Wyoming, adjacent to PRI’s Highland operation. As part of the purchase, PRI assumed decommissioning liabilities, estimated at $9.2 million (US), associated with Smith Ranch and purchased about $6 million (US) in uranium inventory. Cameco guaranteed PRI’s assumption of these decommissioning liabilities.

The Smith Ranch mill processes all Smith Ranch and Highland ISL mined uranium. As a result, the Highland mill is being maintained on a care and maintenance basis.

Smith Ranch – Highland is subject to decommissioning liabilities. In accordance with regulatory requirements, PRI has provided letters of credit totalling $38.1 million (US) to the State of Wyoming as security for decommissioning these properties.

Development Projects

Cameco has one material uranium development project – Cigar Lake in Saskatchewan. In December 2004, the Cigar Lake joint venture decided to proceed with development of the Cigar Lake mine with the target of commencing production in 2007. Cameco also has a uranium development project in Kazakhstan called Inkai. In April 2004, Joint Venture Inkai decided to develop an ISL mine at Inkai uranium deposit with the target of achieving commercial production in late 2007.

Continued development and start up of production at these two projects is subject to the timely receipt of all necessary approvals, permits and licences.

Cigar Lake

Cigar Lake is the world's second largest known high-grade uranium deposit. Cigar Lake is owned by joint venture partners Cameco (50.025%), Cogema (37.1%), Idemitsu Uranium Exploration Canada Ltd. (7.875%) and TEPCO Resources Inc. (5.0%). Cameco is the operator. At December 31, 2004, Cameco's share of proven and probable reserves was 276,000 tonnes of ore containing 115.8 million pounds U_3O_8 with an average grade of 19% U_3O_8 and inferred resources of 159,000 tonnes containing 59.1 million pounds U_3O_8 with an average grade of 16.9% U_3O_8.

On December 21, 2004, the Cigar Lake joint venture decided to proceed with construction at the Cigar Lake project. This decision was made after the CNSC announced on December 20, 2004, that it had approved a construction licence for Cigar Lake. Construction began on January 1, 2005 and will take approximately 27 months to complete. Production could begin in 2007 followed by a ramp up period of up to three years before the mine reaches expected full production of 18 million pounds per year. In making the development decision, the Cigar Lake joint venture approved a construction budget of approximately $450 million (Cameco's share is $225 million) that includes surface and underground facilities at Cigar Lake as well as changes, subject to regulatory approval, to the milling facilities at McClean Lake and Rabbit Lake.

Initially Cigar Lake ore will be processed at the mill located at Cogema's McClean Lake operation, 70 km to the northeast. As Cigar Lake production ramps up to full capacity, just over half of final uranium processing will be completed at Cameco's Rabbit Lake mill facility, pending regulatory approval.

During construction, a maximum of about 350 workers will be employed at the Cigar Lake site. Approximately 250 people will be permanently employed after production begins.

From the commencement of production and at an assumed annual production of 18 million pounds, Cameco estimates the first phase of Cigar Lake will have a mine life of approximately 15 years and a payback period of capital invested of approximately 8 years.

Property Description and Environment

The Cigar Lake minesite is located near Waterbury Lake, approximately 660 kilometres north of Saskatoon. The Cigar Lake minesite was developed for the activities of test mining. At present, the site consists of an underground development, complete with two main levels and a 500-metre mine shaft and head frame, water treatment ponds, standby generators, freeze plant, office, shop, warehouse, construction residences and support installations.

The surface facilities and mine shaft for the Cigar Lake project are located on lands owned by the province of Saskatchewan. Cameco acquired the right to use and occupy the lands under a surface lease agreement with the province of Saskatchewan. The most recent surface lease was signed in May 2004 and is valid for 33 years. Obligations attached to the surface lease agreement primarily relate to annual reporting regarding the status of the environment, the land development and progress made on northern employment and business development. The lease is renewable if necessary until full property decommissioning has been achieved. The Cigar Lake surface lease covers a total of 974 hectares.

The mineral property consists of one mineral lease, totalling 308 hectares, and 25 mineral claims, totalling 92,740 hectares. The mineral lease and mineral claims are contiguous. The Cigar Lake deposit is located in the area subject to mineral lease ML5521. The right to mine this uranium deposit was acquired under this mineral lease, as renewed, effective December 1, 2001. The mineral lease is for a term of 10 years with the right to renew for successive 10 year terms absent a default by Cameco.

Surrounding the Cigar Lake deposit are 25 mineral claims. Title to the mineral claims is secured until 2023. A mineral claim grants the holder the right to explore for minerals within the claim lands and the right to apply for a mineral lease.

All reserves and resources on the property are part of the Cigar Lake orebody.

For additional information on mineral leases, mineral claims and surface leases, see "Land Tenure-Saskatchewan Operations".

Uranium produced from this property will be subject to Saskatchewan royalties as described in "Government Regulation-Canadian Royalties and Certain Taxes".

The property is subject to decommissioning liabilities. In accordance with regulatory requirements Cameco, as project operator, has filed with the regulatory agencies a conceptual decommissioning and reclamation plan for the test mining infrastructure and surface disturbance. Financial assurances have been provided by each of the owners for a total amount of $4.2 million to cover their respective portion of the decommissioning work.

Site accessibility, infrastructure and physiography

Access to the property is by road and by air. Supplies are transported by truck on an all-weather road and can be easily shipped from anywhere in North America through Cameco's transit warehouse in Saskatoon. Site activities are carried out all year despite the cold weather during the winter months. The fresh air is heated with propane-fired burners before being introduced underground when the air temperature is below freezing. The water for the industrial activities and the camp come from nearby Waterbury Lake. The site is connected to the provincial electricity grid. There are standby generators in case of grid power failures. Personnel are recruited from the northern communities and major population centers such as Saskatoon. The underground work is tendered to a mining contractor.

The surface lease grants sufficient rights, subject to regulatory approvals, for mining operations and the lands subject to the surface lease are sufficient for personal accommodation, access to water, airport, site roads and other necessary buildings and infrastructure. Cameco expects that tailings management facilities will not be required at Cigar Lake, as ore will not be milled at Cigar Lake.

The topography and the environment are typical of the taiga forested lands common to the Athabasca basin area of northern Saskatchewan. The area is covered with thick overburden. The site is approximately 490 metres above sea level.

History

The first uranium mineralization discovery at Cigar Lake was in May 1981. Since that time, the deposit has been defined by approximately 200 holes and 92,000 metres of core drilling from surface. Cigar Lake Mining Corporation ("CLMC") was the operator of the project from 1985 to 2001. Effective January 1, 2002, Cameco replaced CLMC as operator.

In 1993, a preliminary feasibility study was delivered to the joint venture partners. An environmental impact statement was filed with the relevant regulatory agencies in 1995. Technical challenges involving groundwater, rock properties and radiation protection were evaluated during the test mining phase.

Public hearings on the project environmental impact statement were concluded in 1997 and the joint federal-provincial panel recommended to the governments of Canada and Saskatchewan that the project be allowed to proceed, subject to resolution, on terms acceptable to regulatory authorities, of issues with respect to a tailings management facility and waste rock disposal. In April 1998, both levels of government accepted the joint panel recommendations and authorized the project to proceed to the regulatory licensing stage.

In June 2001, the joint venture partners approved a feasibility study and detailed engineering design was initiated. The initial estimate of the project development costs was $350 million on a 100% basis.

In early 2003, the CNSC informed Cameco that a new screening level environmental assessment would need to be completed prior to the issuance of construction and operating licences. On June 30, 2004, the CNSC approved the environmental assessment, allowing the project to move to the CNSC construction licensing stage. In July 2004, the CNSC issued a licence to Cameco for construction of specific surface facilities. On December 20, 2004, the CNSC approved the full construction licence for the Cigar Lake project.

Although Cameco has received a full construction licence from the CNSC, additional permits will be required for operation of the Cigar Lake mine. Through its experience in constructing and operating uranium mines in Saskatchewan, Cameco is familiar with the statutory, regulatory and procedural framework governing the environmental approval and permitting process for new mining projects. Based upon Cameco's experience to date, Cameco believes that all permits and approvals required for operation will be obtained in a timely fashion and in the ordinary course of business.

Geology and Mineralization

The Cigar Lake deposit is located approximately 40 kilometres inside the margin of the eastern part of the Athabasca Basin. It occurs at the unconformity contact between rock of the Athabasca Group and underlying lower Proterozoic Wollaston Group metasedimentary rocks, an analogous setting to the Key Lake, the McClean Lake and Collins Bay deposits. It shares many similarities with these deposits, including general structural setting, mineralogy, geochemistry, host rock association and the age of the mineralization. The Cigar Lake deposit is distinguished from other similar deposits by its size, its very high grade, and the high degree of associated hydrothermal clay alteration. The deposit is flat lying, approximately 1950 metres long, 20 to 100 metres wide, and ranges up to 16 metres thick. It occurs at depths ranging between 410 to 450 metres below the surface.

Exploration and Estimates

The exploration of the Cigar Lake deposit was performed by Cogema. A data bank was created from all assay measurement of the various elements. Algorithms were established for the density determination based on the nature of the mineralization and of the surrounding ground.

Cogema produced for CLMC various reserve and resource estimates. These estimates were reviewed in 2000 by a task force from Cogema, CLMC and Cameco. At that time, new test reserve and resource estimates were completed both by Cogema and Cameco and the results were compared.

A new definition of the reserves based on the latest technical tests and economics has been implemented. The new definition is based on a minimum uranium content and a minimum grade for each estimated block.

Cameco believes that Cogema developed and implemented acceptable procedures for quality control, data verification and security of information resulting from exploration drilling activities at Cigar Lake.

Test Mining

A test mining program was approved in late 1987. Shaft sinking began in 1988, reaching a final depth of 501 metres in early 1990. Horizontal development was advanced on two levels and test mining in frozen ground, using box hole boring and high pressure water jet boring, was successfully carried out in 1991 and 1992.

During 1998, CLMC successfully tested a mechanical mine development system suitable to local underground conditions and at year-end commissioned a freeze hole drilling system. Also, throughout 1998, CLMC produced a number of engineering studies that examined project development and milling options.

In 1999 and 2000, further jet boring tests were completed with improved systems. Information acquired from these tests was used to update the feasibility study, which was later approved by the joint venture partners in June 2001.

Subject to regulatory approval, the jet boring mining method will be used to mine the ore body. It will consist of four metre diameter holes bored with a high pressure water jet in the previously frozen high grade orebody. The ore will be ground and slurried underground, pumped to surface and loaded into specialized containers. All the ore slurry will be shipped to Cogema's McClean Lake mill for initial processing. Approximately one-half of the resulting uranium bearing solution will then be processed at the McClean Lake mill with the other half being transported to the Rabbit Lake mill for further processing. See *"Rabbit Lake"*

Cigar Lake Resource and Reserve Estimates

The mineral reserve and resource estimates for Cigar Lake are found at "Uranium Concentrates Business-Reserves and Resources". The key assumptions, parameters and methods used in making these estimates are:

1. Key Assumptions

   (a) the reserves reported include allowances for dilution and mining recovery;

   (b) no such allowances are applied to mineral resources;

   (c) the minimum grade for proven reserves is 5.9% U_3O_8 and for probable reserves is 1.2% U_3O_8; and

(d) for the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of $21.80 (US) was used. For the purpose of estimating reserves in accordance with United States Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of $13.40 (US) was used. Estimated reserves at Cigar Lake are the same using either uranium price.

2. Key Parameters

(a) grades (percentage U_3O_8) were obtained from assaying of drill core and checked against radiometric results. In areas of lost core or poor recovery, reliance was placed on radiometric grade determined from the gamma probing;

(b) where density was not directly measured for each sample, a correlation between uranium grade and density was applied; and

(c) reserves at Cigar Lake are based on estimated quantities of mineralized material recoverable by established mining methods.

3. Key Methods

(a) the geological interpretation of the orebody outline was done on planviews, a two-dimension horizontal block model delineates the deposit with block of size 15 metres x 6 metres;

(b) ordinary kriging served to estimate the grade, thickness and density of the blocks; and

(c) reserves are defined as the economically mineable part of the indicated and measured resources. Only reserves have demonstrated economic viability. The amount of reported resources does not include amounts identified as reserves.

Although Cameco believes Cigar Lake reserve and resource estimates are unlikely to be materially affected by external factors, such as metallurgical, safety and environmental, permitting, legal, title, taxation and political issues, there can be no assurance that they will not be. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drillings, testing and production, as well as a material change in the uranium price, subsequent to the date of the estimate, may justify revision of such estimates.

Other Cigar Lake Information

For information pertaining to:

(a) markets and contracts for sale of uranium produced from Cigar Lake, see "Uranium Concentrates Business-Marketing"; and

(b) taxes and royalties on Cigar Lake uranium production, see "Government Regulation-Canadian Royalties and Certain Taxes" and "Government Regulation-Canadian Income Taxes".

Inkai

Inkai is an ISL project under development located in the Central Asian Republic of Kazakhstan and consists of three contiguous license blocks (leases). The project is owned and operated by Joint Venture Inkai, which is owned by Cameco (60%) and KazAtomProm (40%). The latter is a company owned by the Republic of Kazakhstan. The mineral reserve and resource estimates for Inkai are found at "Uranium Concentrates Business-Reserves and Resources".

In April 1999, Inkai received from the government of Kazakhstan a mining (extraction) licence for Block No. 1 and an exploration licence for Blocks No. 2 & 3. The associated subsoil use contract, covering both licences, was signed by the government and Joint Venture Inkai in July 2000. Subsequent to signing of the contract, Joint Venture Inkai obtained the permits and authorizations needed to start construction of the test mine at Block No. 2. Construction of the test mine facilities was substantially completed in December 2001. Test mining operations commenced in April 2002, following regulatory approval. Test mining has continued since that time. At December 31, 2004, since the

commencement of operations, the total production at the test mine was 0.9 million pounds. Plans are underway for expansion of the test mine to increase production and to test different areas of the ore body. The test mine is expected to produce about 0.45 million pounds in 2005. The costs, net of sales proceeds, from Inkai production are capitalized until commercial production is achieved.

In April 2004, Joint Venture Inkai decided to proceed with construction of an ISL mine at Inkai, with a planned annual capacity of 2.6 million pounds, after they approved a feasibility study which estimated the capital cost to do so at $38 million (US). Subsequently, the joint venture approved the expansion of the proposed mine to have a 5.2 million pound annual capacity at an estimated capital cost of $83 million (US). Subject to regulatory approval, the mine is expected to achieve commercial production in late 2007 and ramp up to full production in 2009.

In the first half of 2005, Joint Venture Inkai intends to submit an environmental assessment and design plan for construction of the new mine to Kazakh authorities for approval in accordance with the requirements of local law. Construction will proceed once regulatory approval is received, which is expected in the third quarter of 2005. Through its experience in constructing and operating the test mine, Cameco is familiar with the statutory, regulatory and procedural framework governing the environmental approval and permitting process for new mining projects in Kazakhstan. Based upon Cameco's experience to date, Cameco believes that all permits and approvals required for construction and operation of the new ISL mine will be obtained in a timely fashion and in the ordinary course of business.

Cameco has agreed to fund up to $40 million (US) for project development, which includes funding of the test mine, with an interest bearing loan. To December 31, 2004, Cameco, through subsidiaries, had advanced $28 million (US). Joint Venture Inkai will fund the remainder. Repayment of the principal amount of the loan is expected once commercial production commences. Joint Venture Inkai is obligated to repay the loan and interest.

The Inkai ISL project is subject to decommissioning liabilities. Subsequent to commencement of commercial production, Joint Venture Inkai is required to establish a separate bank account and make contributions to the account as security for decommissioning the property. Contributions to such bank account are capped at $500,000 (US).

Exploration

Cameco carries out mineral exploration for new uranium resources on substantial landholdings, principally located in two areas: the Athabasca basin of northern Saskatchewan and the Arnhem Land region in Northern Territory, Australia. The subdivision of lands (properties in which Cameco holds interests greater than 10%) and uranium exploration expenditures is as follows:

Area	hectares at Dec. 31 2004	2004 actual expenditures (000's)
Saskatchewan	**595,000**	**$ 8,900**
Northwest Territories	**133,000**	**$ 100**
Australia	**1,868,000**	**$ 5,100**
Other	**44,000**	**$ 2,900**
Totals	**2,640,000**	**$ 17,000**

The majority of Cameco's exploration lands are explored as joint ventures with other mining companies, with Cogema the most common joint venture partner. At year-end 2004, Cameco operated approximately 80% of its exploration projects, including joint ventures. The majority of Cameco's exploration projects are early to middle stage, on which indications of economic grades or quantities of uranium have not yet been identified.

In 2004, Cameco also carried out surface exploration near existing mines, specifically the Rabbit Lake and McArthur River operations, with the intent to locate new resources that could be developed to expand or extend these operations. This exploration was successful at both locations. At Rabbit Lake, a new zone, the O2Next zone, was discovered north of the Eagle Point mine. Work on another advanced exploration project, the Cree Extension project, has advanced the Millennium discovery, initially made in 2000, to an indicated and inferred resource.

Cameco periodically acquires new exploration land holdings in both Canada and Australia, where the Company perceives the discovery potential to be worth the cost of acquiring and holding the land. At the same time, the Company may decide to reduce its interest in certain projects through farm-out agreements or other arrangements.

At December 31, 2004, Cameco owned a 25.2% interest in UEX Corporation, a TSX listed junior exploration company formed in 2002 from a combination of exploration assets previously held by Cameco and Pioneer Metals Corporation, and has certain rights related to financing, milling, and marketing future uranium deposits produced by UEX. Once Cameco's interest falls below 20%, these special rights end.

Since many areas of the world are known to host numerous types of uranium mineralization, Cameco actively investigates the uranium exploration potential of areas other than those described above. No major exploration projects are currently being undertaken in areas outside Canada and Australia.

Reserves and Resources

The disclosure in this Annual Information Form of scientific and technical information regarding Cameco's uranium properties, including reserve and resource estimates and the description of the geology, were prepared by or under the supervision of the following qualified persons:

Qualified Persons	Properties
Alain Gaston Mainville, Geologist and Professional Geoscientist, who is Manager, Mining Resources and Methods at Cameco	McArthur River, Rabbit Lake, Key Lake, Dawn Lake, and Millennium
Raymond Jean-François Chauvet, Geological Engineer and Professional Geoscientist, who was Director, Mining Resources and Methods at Cameco.	Cigar Lake and Inkai
Steve Lunsford, Registered Professional Geologist Wyoming, who is Chief Geologist at Power Resources, Inc.	Crow Butte, Gas Hills-Peach, Highland, North Butte/Brown Ranch, NorthWest Unit, Peach, Reynolds Ranch, Ruby Ranch, Ruth, Shirley Basin and Smith Ranch.

The qualified persons as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding common shares of Cameco.

Canadian Securities Administrators' National Instrument 43-101 requires mining companies to disclose reserves and resources using the subcategories of proven reserves, probable reserves, measured resources, indicated resources and inferred resources. Cameco reports reserves and resources separately. (See "Note Regarding Reserves and Resources.")

Commencing December 31, 2004, Cameco reports all its mineral reserves as a quantity of contained ore supporting the mining plans. Generally, this approach has always been used to estimate and report the uranium reserves for Cameco's Canadian properties. In contrast, the reserve estimates for Cameco's US and Inkai ISL properties were reported as the recoverable uranium after giving effect to the expected leaching and processing loss. As part of this standardized approach to reserve reporting, Cameco is now disclosing in its reserves table its estimate of the metallurgical recovery for each of its properties. Metallurgical recovery is a term used in the mining industry to indicate the proportion of valuable material physically recovered by the metallurgical extraction process. The estimated recoverable amount of a commodity is obtained by multiplying the reserves "Content" by the "Estimated Metallurgical Recovery Percentage".

Uranium Reserves

The following table shows the estimated uranium reserves as at December 31, 2004 on a property basis and Cameco's share.

	PROVEN (100% basis)			PROBABLE (100% basis)			TOTAL RESERVES (100% basis)					
RESERVES (1)(5)	**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)**	**Estimated Metallurgical Recovery %**	**Mining Method** (2)
PROPERTY					(tonnes in thousands; pounds in millions)							
Cigar Lake	497.0	20.67	226.3	54.0	4.41	5.2	551.0	19.06	231.5	115.8	99%	UG
Crow Butte	899.0	0.39	7.8	195.6	0.24	1.0	1,094.6	0.36	8.8	8.8	85%	ISL
Gas Hills – Peach	—	—	—	5,511.4	0.18	22.1	5,511.4	0.18	22.1	22.1	65%	ISL
Highland	524.4	0.11	1.2	1,008.5	0.13	2.9	1,532.9	0.12	4.1	4.1	80%	ISL
Inkai	22,700.0	0.07	35.4	63,700.0	0.06	79.0	86,400.0	0.06	114.4	68.6	80%	ISL
Key Lake	61.9	0.52	0.7	—	—	—	61.9	0.52	0.7	0.6	99%	OP
McArthur River	570.3	26.56	333.9	203.6	19.06	85.6	773.9	24.59	419.5	292.8	99%	UG
North Butte/Brown Ranch	—	—	—	2,388.1	0.15	7.9	2,388.1	0.15	7.9	7.9	80%	ISL
Rabbit Lake	306.4	1.20	8.1	172.0	1.62	6.1	478.4	1.35	14.2	14.2	97%	UG
Ruby Ranch	—	—	—	2,132.4	0.11	5.1	2,132.4	0.11	5.1	5.1	80%	ISL
Ruth (3)	—	—	—	532.6	0.13	1.5	532.6	0.13	1.5	1.5	80%	ISL
Smith Ranch	407.1	0.10	0.9	4,511.3	0.11	11.1	4,918.4	0.11	12.0	12.0	80%	ISL
Total (4)	25,966.1	1.07	614.3	80,409.5	0.13	227.5	106,375.6	0.36	841.8	553.4		

Notes:

(1) Cameco reports reserves and resources separately.

(2) Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

(3) For United States reporting purposes, Industry Guide 7 under the Securities and Exchange Act of 1934, as interpreted by the staff of the U.S. Securities and Exchange Commission, applies different standards to classify mineralization as a reserve. Accordingly, for U.S. reporting purposes as of December 31, 2004, the mineralization at the Ruth uranium in situ leach project in Wyoming is classified as mineralized material.

(4) Totals may not add, due to rounding

(5) For the purpose of estimating reserves in accordance with National Instrument 43-101, a uranium price of $21.80 (US) was used. For the purpose of estimating reserves in accordance with US Securities Commission Industry Guide 7 for US reporting purposes, a uranium price of $13.40 (US) was used. Estimated uranium reserves are the same using either uranium price except for the Ruth uranium in situ leach project in Wyoming which is classified for US reporting purposes as mineralized material.

In addition to the above reserves, Cameco has contractually committed supplies, including supplies under the HEU Commercial Agreement, of approximately 71 million pounds of uranium from January 1, 2005 until the end of 2013.

Uranium Measured and Indicated Resources

Cautionary Note to US Investors concerning estimates of Measured and Indicated Resources:

This section uses the terms "measured resources" and "indicated resources". United States investors are advised that while those terms are recognized and required by Canadian securities regulatory authorities, the United States Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposit in these categories will ever be converted into proven or probable reserves.

The following table shows the estimated uranium measured and indicated resources as at December 31, 2004 on a property basis and Cameco's share.

	MEASURED (100% basis)			INDICATED (100% basis)			MEASURED AND INDICATED (100% basis)				
RESOURCES (1)	**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)**	**Mining Method** (2)
PROPERTY				(tonnes in thousands; pounds in millions)							
Crow Butte	—	—	—	1,183.8	0.26	6.8	1,183.8	0.26	6.8	6.8	ISL
Dawn Lake	—	—	—	347.0	1.69	12.9	347.0	1.69	12.9	7.4	OP&UG
Gas Hills – Peach	2,288.3	0.09	4.7	1,874.9	0.09	3.8	4,163.2	0.09	8.5	8.5	ISL
Highland	782.3	0.10	1.7	47.0	0.09	0.1	829.3	0.10	1.8	1.8	ISL
Inkai	—	—	—	3,600.0	0.04	2.9	3,600.0	0.04	2.9	1.7	ISL
McArthur River	43.5	10.28	9.9	39.8	8.39	7.4	83.3	9.42	17.3	12.0	UG
Millennium	—	—	—	547.0	2.87	34.6	547.0	2.87	34.6	14.5	UG
North Butte/Brown Ranch	—	—	—	2,753.7	0.11	6.8	2,753.7	0.11	6.8	6.8	ISL
Northwest Unit	—	—	—	1,857.5	0.06	2.4	1,857.5	0.06	2.4	2.4	ISL
Rabbit Lake	—	—	—	310.0	0.59	4.0	310.0	0.59	4.0	4.0	UG
Reynolds Ranch	1,309.8	0.09	2.7	4,594.0	0.08	7.8	5,903.8	0.08	10.5	10.5	ISL
Ruby Ranch	482.2	0.08	0.9	388.5	0.07	0.6	870.7	0.08	1.5	1.5	ISL
Ruth	—	—	—	480.6	0.06	0.6	480.6	0.06	0.6	0.6	ISL
Shirley Basin	89.1	0.15	0.3	1,635.9	0.11	4.1	1,725.0	0.12	4.4	4.4	ISL
Smith Ranch	30.8	0.20	0.1	2,381.4	0.09	5.0	2,412.2	0.10	5.1	5.1	ISL
Total (3)	5,026.0	0.18	20.3	22,041.1	0.21	99.8	27,067.1	0.20	120.1	88.0	

Notes:

(1) Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

(2) Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

(3) Totals may not add, due to rounding.

Uranium Inferred Resources

Cautionary Note to US Investors concerning estimates of Inferred Resources:

This section uses the term "inferred resources". United States investors are advised that while this term is recognized and required by Canadian securities regulatory authorities, the United States Securities and Exchange Commission does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence and great amount of uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource 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. Investors are cautioned not to assume that part or all of an inferred resource exists or is economically or legally mineable.

The following table shows the estimated uranium inferred resources as at December 31, 2004 on a property basis and Cameco's share.

	INFERRED RESOURCES (1) (100% basis)				
PROPERTY	Tonnes	Grade % U_3O_8	Content (lbs U_3O_8)	Cameco's Share (lbs U_3O_8)	Mining Method (2)
	(tonnes in thousands; pounds in millions)				
Cigar Lake	317.0	16.92	118.2	59.1	UG
Crow Butte	1,627.4	0.20	7.0	7.0	ISL
Highland	587.6	0.15	2.0	2.0	ISL
Inkai	253,918.0	0.05	268.0	160.8	ISL
McArthur River	503.5	9.51	105.5	73.7	UG
Millennium	293.0	2.44	15.8	6.6	UG
North Butte/Brown Ranch	321.5	0.10	0.7	0.7	ISL
Northwest Unit	997.2	0.05	1.1	1.1	ISL
Reynolds Ranch	5,487.2	0.06	7.1	7.1	ISL
Shirley Basin	506.8	0.10	1.1	1.1	ISL
Smith Ranch	644.2	0.07	1.0	1.0	ISL
Total (3)	265,203.4	0.09	527.5	320.2	

Notes:

(1) Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

(2) Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

(3) Totals may not add, due to rounding

Uranium Reserves Reconciliation

The following reconciliation of Cameco's share of uranium reserves reflects the changes in reserves during 2004. The 2004 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, and reclassification.

A re-assessment of the mining and economic parameters used to estimate reserves at some ISL properties in Wyoming has resulted in the loss of 13.5 million pounds of reserves and the reclassification of some proven reserves to the probable category. At Crow Butte, development drilling resulted in an increase of 1.8 million pounds of reserves. Due to the change in reporting format for the ISL properties as disclosed before the uranium reserves table, in place reserves contain nearly 29 million pounds more than previously reported as recoverable reserves. At Rabbit Lake, underground drilling has delineated additional reserves of 7.4 million pounds U_3O_8.

	Reconciliation of Cameco's Share of Uranium Reserves (in thousands of pounds U_3O_8)				
	December 31, 2003	2004 Throughput (1)	2004 Addition (Deletion)		December 31, 2004
Reserves – Proven					
Cigar Lake	113,222	—	—		113,222
Crow Butte	4,528	(826)	4,092	(2)	7,794
Gas Hills – Peach	8,785	—	(8,785)	(2)	—
Highland	2,831	(507)	(1,162)	(2)	1,162
Inkai	16,969	—	4,242	(2)	21,211
Key Lake	590	—	—		590
McArthur River	244,462	(12,368)	993	(2)	233,087
Rabbit Lake	12,490	(5,662)	1,268	(2)	8,096
Ruby Ranch	2,896	—	(2,896)	(2)	—
Smith Ranch	5,842	(715)	(4,231)	(2)	896
Total Proven Reserves	412,615	(20,078)	(6,479)		386,058
Reserves – Probable					
Cigar Lake	2,625	—	—		2,625
Crow Butte	1,998	—	(985)	(2)	1,013
Gas Hills – Peach	6,070	—	15,986	(2)	22,056
Highland	5,143	—	(2,288)	(2)	2,855
Inkai	37,930	—	9,482	(2)	47,412
McArthur River	60,222	(500)	—	(2)	59,722
North Butte/Brown Ranch	7,452	—	487	(2)	7,939
Rabbit Lake	—	—	6,132	(2)	6,132
Ruby Ranch	1,424	—	3,658	(2)	5,082
Ruth (3)	1,249	—	221	(2)	1,470
Smith Ranch	13,601	—	(2,544)	(2)	11,057
Total Probable Reserves	137,714	(500)	30,149		167,363
Total Reserves	550,329	(20,578)	23,670		553,421

Notes:

(1) Corresponds to millfeed. The discrepancy between the 2004 millfeed and Cameco's share of 2004 pounds U_3O_8 produced is due to mill recovery, mill inventory and the processing of low grade material.

(2) Changes in reserves or resources, as applicable, include reassessment of geological data, results of information provided by mining and milling, and subsequent re-classification of reserves or resources, as applicable.

(3) For United States reporting purposes, Industry Guide 7 under the Securities and Exchange Act of 1934, as interpreted by the staff of the US Securities and Exchange Commission, applies different standards to classify mineralization as a reserve. Accordingly, for United States reporting purposes, the mineralization at the Ruth uranium in situ leach project in Wyoming is classified as mineralized material.

Uranium Resources Reconciliation

The following reconciliation of Cameco's share of uranium resources reflects the changes in resources during 2004. The 2004 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, and reclassification.

The major change is resources during 2004 is the re-classification of 73.7 million pounds U_3O_8 of indicated resources to inferred resources at McArthur River to reflect a lower confidence in the geometry and grade of the mineralization encountered by widely spaced historical surface drilling. Successful drilling at the Millennium project has identified indicated resources of 14.5 million pounds U_3O_8 and inferred resources of 6.6 million pounds U_3O_8. The re-assessment of the mining and economic parameters used to define reserves at some ISL properties in Wyoming has resulted in the loss of 3.4 million pounds of resources. Drilling at Crow Butte has successfully converted 1.1 million pounds of inferred resources into the reserves category.

Reconciliation of Cameco's Share of Uranium Resources
(in thousands of pounds U_3O_8)

	December 31, 2003	2004 Throughput (1)	2004 Addition (Deletion)		December 31, 2004
Resources – Measured					
Gas Hills – Peach	4,662	—	—		4,662
Highland	2,212	—	(549)	(2)	1,663
McArthur River	6,879	—	—		6,879
Reynolds Ranch	2,654	—	—		2,654
Ruby Ranch	862	—	—		862
Shirley Basin	304	—	—		304
Smith Ranch	1,264	—	(1,126)	(2)	138
Total Measured Resources	18,837	—	(1,675)		17,162
Resources – Indicated					
Crow Butte	6,849	—	—		6,849
Dawn Lake	7,436	—	—		7,436
Gas Hills – Peach	2,911	—	934	(2)	3,845
Highland	3,148	—	(3,056)	(2)	92
Inkai	1,740	—	—		1,740
McArthur River	78,811	—	(73,675)	(2)	5,136
Millennium	—	—	14,520	(2)	14,520
North Butte/Brown Ranch	6,829	—	(41)	(2)	6,788
Northwest Unit	2,361	—	—		2,361
Rabbit Lake	3,958	—	51	(2)	4,009
Reynolds Ranch	7,791	—	—		7,791
Ruby Ranch	581	—	—		581
Ruth	761	—	(152)	(2)	609
Shirley Basin	4,085	—	—		4,085
Smith Ranch	133	—	4,818	(2)	4,951
Total Indicated Resources	127,394	—	(56,601)		70,793
Total Measured & Indicated	146,231	—	(58,276)		87,955
Resources – Inferred					
Cigar Lake	59,105	—	—		59,105
Crow Butte	8,042	—	(1,063)	(2)	6,979
Highland	1,977	—	—		1,977
Inkai	160,793	—	—		160,793
McArthur River	—	—	73,675	(2)	73,675
Millennium	—	—	6,630	(2)	6,630
North Butte/Brown Ranch	1,367	—	(633)	(2)	734
Northwest Unit	1,093	—	—		1,093
Reynolds Ranch	7,442	—	(343)	(2)	7,099
Shirley Basin	1,132	—	—		1,132
Smith Ranch	4,295	—	(3,285)	(2)	1,010
Total Inferred Resources	245,246	—	74,981		320,227

Notes:

(1) Corresponds to millfeed. The discrepancy between the 2004 millfeed and Cameco's share of 2004 pounds U_3O_8 produced is due to mill recovery, mill inventory and the processing of low grade material.

(2) Changes in reserves or resources, as applicable, include reassessment of geological data, results of information provided by mining and milling, and subsequent re-classification of reserves or resources, as applicable.

Uranium Fuel Conversion Services

Market Background

Demand

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. Western world demand for UF_6 and natural UO_2 conversion services in 2004 was estimated to be approximately 60 million kilograms of uranium. It is estimated that this demand will increase to approximately 67 million kilograms of uranium by 2014. Demand in the former Soviet Union, Eastern Europe and China in 2004 was about 8 million kilograms of uranium and is expected to increase to about 13 million kilograms of uranium by 2014.

Most utility companies operating nuclear reactors purchase their uranium requirements in the form of concentrates directly from mining and milling operators. The uranium contained in the concentrates is refined and converted to fuel grade natural UO_2 or to UF_6 for enrichment. The enriched UF_6 is then converted to enriched UO_2. The natural UO_2 and enriched UO_2 are fabricated into fuel bundles for eventual use in nuclear reactors.

Supply

The western world UF_6 conversion industry consists of Cameco and three other commercial producers with an annual conversion capacity of about 45 million kilograms of uranium. Cameco's annual UF_6 conversion capacity constitutes approximately 28% of the western world capacity. Cameco is the only commercial supplier of conversion for natural UO_2 customers in the western world. Russia supplies most of the UF_6 conversion requirements of the former Soviet Union and Eastern Europe in the form of low enriched uranium.

On February 9, 2001, BNFL, with annual conversion capacity of about 6 million kilograms, announced that it will halt production of UF_6 in 2006. With the announcement, BNFL ceased the marketing of UF_6 conversion services and sold its uncommitted UF_6 production to Cameco.

In addition, supplies of UF_6 are available from secondary sources including excess western inventories, Russian inventory sales in the form of low enriched uranium, re-enriched depleted tails in the form of UF_6 and Russian and US uranium derived from dismantling nuclear weapons. These sources are discussed in more detail in the "Uranium Concentrates Business" section.

Prices

Cameco competes on the basis of price, location and service with two other full-scale commercial suppliers of conversion services in the western world and with the secondary supplies mentioned above.

Similar to their procurement of uranium requirements, utilities secure a substantial percentage of their conversion service requirements by entering into medium and long-term contracts with primary conversion service providers. Prices are established by a number of methods, including base prices adjusted by inflation indices, reference prices (generally spot price indicators) and annual price negotiations. Contracts can also contain floor prices, ceiling prices and other negotiated provisions which affect the price ultimately paid. Base price contracts with adjustment for inflation are by far the most common.

Marketing of Conversion Services

UF_6

Cameco's marketing strategy for UF_6 conversion services is similar to that for uranium concentrates.

Cameco sells its services directly to utilities located in many different geographic regions of the world primarily through medium- and long-term contracts.

Cameco currently has UF_6 conversion services commitments in excess of 50 million kilograms of uranium under 70 long-term contracts. Cameco's five largest customers account for approximately 33% of these commitments. 43% of Cameco's committed UF_6 conversion services volume is to purchasers in the Americas, 25% in the Far East and 32% in Europe.

At December 31, 2004, the majority of UF_6 conversion services commitments are under contracts that contain base escalated prices. Therefore, generally Cameco's financial results are relatively insensitive to changes in the spot price for conversion. New base price contracts being secured by Cameco generally reflect the improved market conditions at the time of contract award. Cameco's contract portfolio will be positively impacted by these higher fixed priced contracts.

UO_2

Cameco is the only commercial supplier of UO_2 for CANDU heavy water moderated nuclear reactors operated in Canada by Bruce Power, OPG, New Brunswick Power Corporation and Hydro Quebec. Cameco also exports UO_2 to South Korea for its CANDU reactors and to the United States and Japan for use as blanket fuel in boiling water reactors.

Volumes of Canadian UO_2 sales may increase slightly later in the decade if shut-in Canadian owned CANDU reactors are put back into service.

Operations

Cameco owns and operates Canada's only uranium refinery and conversion facilities. Cameco has a uranium refining facility within close proximity to Lake Huron and approximately eight kilometres west of Blind River, Ontario (approximately 600 kilometres north-west of Toronto, Ontario). Blind River has a population of about 4,000. Cameco also has two conversion plants within the Municipality of Port Hope, Ontario, approximately 100 kilometres east of Toronto. The Municipality of Port Hope, with a population of about 15,000, is located on the shore of Lake Ontario.

The Blind River facility, commissioned in 1983, has an annual licensed capacity of 18,000 tonnes of uranium. It includes a uranium refinery, a large storage area for uranium concentrates, and weighing and sampling facilities. The Blind River facility refines the concentrates delivered by suppliers from throughout the world into nuclear grade UO_3, nearly all of which is shipped to Port Hope for conversion into either UF_6 or UO_2. A small quantity of UO_3 is supplied to others for blending with enriched uranium to produce suitable reactor fuel.

The Port Hope conversion plants produce natural UO_2 and natural UF_6. The UO_2 plant is licensed for 2.8 million kilograms of uranium per year and produces UO_2 used as fuel in Canadian and other CANDU heavy water nuclear reactors, as well as blanket fuel for light water nuclear reactors. The UF_6 plant, licensed for 12.5 million kilograms of uranium per year, converts UO_3 to UF_6 using hydrogen, hydrogen fluoride and fluorine in a series of process steps. The UF_6 is then shipped to enrichment plants in the United States, Europe and Japan for further processing to low enriched UF_6 prior to conversion to enriched UO_2, which is used as reactor fuel for light water nuclear reactors.

In January 2003, Cameco applied to the CNSC for regulatory approval to begin the commercial production at Port Hope of slightly enriched uranium dioxide powder ("SEU"), the primary uranium component of a new type of fuel that is proposed for use in some CANDU reactors. Initially the SEU will be produced for use in the Bruce "B" units as part of a power uprate project which is expected to add about 400 megawatts to the capacity of the units. (See "Bruce Power – The Generating Facilities.") Cameco's Port Hope facility processed enriched uranium between 1966 and 1987. This activity was discontinued when there was no longer a commercial demand for the enriched products provided by the Port Hope facility.

CNSC approval would allow installation and operation at Port Hope of equipment for blending natural UO_2 powder and low-enriched UO_2 powder to produce SEU. The low-enriched UO_2 powder would be acquired from any of the several suppliers around the world. This approval would not lead to an increase in the total volume of UO_2 produced, as the SEU would essentially replace some of the natural UO_2 currently produced.

In January 2004, the CNSC approved the Environmental Assessment Guidelines (Scope of Project and Assessment) that will be used to prepare an Environmental Assessment Study Report (EASR) for environmental assessment of the SEU project at Port Hope. In November 2004, the EASR was submitted to the CNSC. It will be used by CNSC staff to prepare their required screening report, which is expected to be presented to the CNSC at a public hearing in 2005.

In 2004, other important project milestones included significant advancement of engineering design for the construction of the SEU blending facility, obtaining the necessary regulatory approval for the Port Hope facility to allow the production of about 600 kg. of SEU powder for the manufacturing of about 26 demonstration fuel bundles that are to be placed in the Bruce "B" reactors, and completion of the preparation of the first few batches of this SEU powder.

Commercial production of SEU will use sufficient volume of low enriched UO_2 powder such that criticality could potentially occur. Due to extensive safeguards that will be put in place, which will be subject to regulatory approval, to prevent this from happening, it is extremely unlikely that a criticality will occur. Criticality is a nuclear fission reaction. The products of criticality are heat and radiation. If a criticality did occur at Port Hope, it is expected there would be little or no impact on the health and safety of the public as the SEU production area will be designed and engineered to contain the incident.

Cameco's refining and conversion facilities are subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has provided $48.4 million in letters of credit as security for decommissioning these facilities.

There was no conversion production during third quarter of 2004 as a result of the Port Hope plant being closed to conduct its annual maintenance and summer vacation program, followed by a labour dispute.

On September 14, 2004, about 200 unionized hourly employees at Cameco's Port Hope conversion facility accepted a three-year contract offer. The employees, represented by two locals of the United Steelworkers of America, voted 62% in favour of the contract offer. They had been on strike since July 28, 2004.

Normal work resumed on September 16, 2004, to complete the scheduled annual maintenance work and prepare the plant for resumption of production. The UO_2 and UF_6 plant operations resumed in October 2004.

During the strike, Cameco met sales obligations to customers by reducing its conversion inventory.

Research and Development

The activities of all operations are supported by Cameco's technology development group which is actively engaged in supporting new business initiatives as well as developing new processes to maintain and enhance Cameco's position as a competitive and leading producer of uranium concentrates, refining and conversion services. For 2004, expenditures related to these activities were approximately $1,911,000.

Environmental

For environmental protection, the Blind River refinery operates a monitoring lagoon system for liquid effluents in order to ensure adherence to regulatory standards. Gaseous emissions are filtered, scrubbed and monitored for uranium particulate and certain other deleterious substances. Cooling water is used in a closed loop system with very limited discharge to the environment. Extensive chemical recovery steps are also used to reduce environmental release. In Port Hope, provisions for environmental protection include scrubbing and filtration systems for gaseous emissions and evaporator systems for liquid process effluents. Resulting condensates released to the environment are monitored to ensure compliance with regulatory standards. Extensive chemical recovery steps are also used to reduce environmental release and reduce waste accumulation.

In 1998, Cameco reached an agreement with International Uranium Corporation of Denver, Colorado for the processing of certain uranium-bearing by-products from Blind River and Port Hope at the White Mesa mill in Blanding, Utah. The agreement received regulatory approval in both Canada and US. Shipments to Utah for

recycling of all of the by-product inventory was completed in 2000, including by-products accumulated by a predecessor company prior to 1988 that was stored at Blind River and Port Hope. Shipments of newly produced by-products have continued. While this program has addressed the accumulated inventory of by-products and is addressing current recycling requirements for these by-products, other outlets are being considered. In 2001, a mill scale pilot test program of recycling these by-products at Cameco's Key Lake mill was completed. This test was conducted to develop the information that would be necessary to support an application for regulatory approval to recycle by-products at the Key Lake mill. In 2002, Cameco submitted a proposal to federal and provincial regulatory authorities for approval to recycle these by-products at the Key Lake mill. Provincial regulatory approval was received on February 21, 2003. Federal regulatory approval is still pending, but currently anticipated in 2005.

Both Blind River and Port Hope facilities were re-licensed by the CNSC for a five-year period commencing on February 28, 2002.

Legal Proceedings

A jury action was commenced by Oren Benton on November 28, 2000 in the State of Colorado, USA, against Cameco. The action claims in excess of $200,000,000 (US) for breach of contract, breach of duty of good faith and fair dealing, and tortious interference with contractual relations and/or business expectations. Cameco's motion to dismiss the claim was granted by Senior Judge Daniel B. Sparr by order filed November 15, 2002 and Mr. Benton's claim was dismissed. Mr. Benton has unsuccessfully appealed this decision and is now seeking leave to appeal to the Supreme Court of the United States.

PRI and two unrelated third parties have been sued in the United States District Court for the District of Wyoming by Mountain West Mines Inc. ("MWM"). MWM claims that PRI and the other defendants owe it royalties on uranium mined in the Powder River Basin of Wyoming (which encompasses the Highland and Smith Ranch operations). PRI's exposure consists of unpaid royalties plus interest, and a continuing royalty on uranium from its operations within the Powder River Basin of approximately four percent of the selling price. MWM has submitted an expert report claiming that the amount of unpaid royalties is $6,690,755 (US) for the period 1993 through 2003 and the amount of interest thereon is $4,153,607 (US) as of January 7, 2005. A scheduling order has been issued that will see this dispute go to non-jury trial on June 20, 2005. The pre-trial discovery process continues and some depositions have been completed.

Environmental Matters

Cameco's operations are subject to numerous laws and regulations regarding environmental matters and the management of hazardous wastes and materials. Changes in environmental laws and regulations or more stringent application of existing standards could cause additional expense, capital expenditures, restrictions or delays in the exploration, development, operation or decommissioning of the Company's properties.

Cameco estimates total future decommissioning and reclamation costs for its operating assets to be $237 million. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of approximately $164 million in the form of letters of credit to satisfy current regulatory requirements. See Note 7 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2004.

Cameco Initiatives

Cameco's environmental and safety efforts are both corporate and site-based. Corporate and site-based environmental and safety departments have been created to manage and coordinate the Company's environmental assessment and regulatory compliance and reporting functions. Cameco conducts regular environmental and safety audits of its sites. Annual expenditures of about $18 million have been dedicated to environmental monitoring, protection, assessment and health and safety programs.

Like other large industrial organizations, Cameco utilizes chemicals in its operations that could be hazardous to health and the environment if handled incorrectly. Employees are trained in the proper use of hazardous substances and in emergency response techniques.

Cameco has had a formal environmental and safety policy in place since 1991. In 1999, Cameco revised this environmental policy in support of an initiative to generate a new environmental management system at its operating sites. This system reinforces the Company's commitment to ongoing management of environmental risks and is structured to be compatible with the requirements of the relevant international standard, referred to as ISO 14001.

In 2000, the Port Hope operation became the first Cameco managed site to become certified under the new standard. In 2002, the Blind River, Key Lake and McArthur River operations were also ISO 14001 certified.

In May 2001, Cameco received a request from the CNSC to develop a corporate quality assurance program in support of re-licensing its Canadian operations. Cameco elected to embark on developing a broader quality management system. This system is to include operational activities at its Canadian operating licensed sites as well as corporate oversight and audit responsibilities for these sites. A plan and implementation schedule for this new management system was filed with the CNSC and accepted in early 2002. A draft corporate quality management system manual, covering Canadian uranium operations, has been filed with the CNSC, in accordance with the accepted implementation schedule. This schedule calls for full site implementation to be completed in 2005.

The Company has an environmental and safety committee of the board of directors, which regularly reviews environmental and safety aspects of the Company's operations. To promote better communication with communities in northern Saskatchewan on environmental and other matters, the Company organized the Northern Community Liaison Committee in 1990 and the Athabasca Working Group in 1993 (with CLMC and Cogema). The Company also co-operates with the northern community environmental quality committees organized more recently by the province of Saskatchewan. Cameco also conducts regular environment-focused community liaison activities at its fuel services sites in Ontario.

Canada

Environmental matters related to Cameco's operations in Canada are the subject of ongoing public scrutiny and regulatory review by the CNSC, Environment Canada, the federal Department of Fisheries and Oceans, SE and the Ontario Ministry of the Environment ("MOE").

Decommissioning and Reclamation

Once the Company's reserves of a particular deposit in Canada have been exhausted or after processing activities have been permanently suspended, Cameco and its partners are required by law to decommission operating sites, including waste rock and tailings management facilities, and reclaim those areas affected by their activities, to the satisfaction of provincial and federal regulatory authorities. For financial statement purposes, Cameco recognizes the fair value of the liability for an asset retirement obligation in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time through periodic charges to earnings and is reduced by actual costs of decommissioning and reclamation. Cameco's estimation of these future costs is based upon the application of reclamation techniques, which are believed to be capable of generating reasonable environmental and radiological performance. These estimates are regularly reviewed by the Company for accounting purposes, as well as for license renewal applications as required by regulatory agencies. The regulatory agencies accept the decommissioning plans in concept, not based upon detailed performance forecasts, which have not been generated. As Cameco properties approach or go into decommissioning, further regulatory review of the decommissioning plans may result in additional decommissioning requirements, associated costs and the requirement to provide additional financial assurances. As of December 31, 2004, Cameco had accrued a total accounting provision of approximately $144 million related to nuclear activities. See Note 7 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2004.

Both the CNSC and SE have regulations requiring financial assurances for decommissioning and reclamation of minesites. Financial assurances in the form of letters of credit were first supplied for Rabbit Lake and McArthur River in 1996 and for Key Lake in 1997. Letters of credit for the Port Hope and Blind River facilities were supplied in early 2002 for the first time, in conjunction with general CNSC site relicensing. Discussions are under way with Canada Eldor Inc., the CNSC and Cameco regarding financial assurances for the continued decommissioning of the Beaverlodge site in northern Saskatchewan. Cameco holds the CNSC license for this site. Costs associated with decommissioning the property are the responsibility of Canada Eldor Inc.

Pursuant to the Reorganization of SMDC and ENL (now Canada Eldor Inc.), Cameco assumed the ownership and primary responsibility for the management of wastes existing at the time of the Reorganization ("Historical Waste") at the Port Hope Conversion Facility, the Blind River Refinery, the Port Granby Waste Site and the Welcome Waste Site ("Historical Facilities"), all located in Ontario. The Company assumed liability for the first $2 million of all costs in respect of any claim arising out of or related to the Historical Waste and all decommissioning and reclamation costs at the Historical Facilities and 23/98ths of the next $98 million of such costs. Canada Eldor Inc.

retained liability for the balance of the costs up to $100 million and for all the costs in excess of $100 million, effectively capping Cameco's liability at $25 million.

On October 6, 2000, the government of Canada and certain Port Hope area communities announced the signing of a "Principles of Understanding", establishing the framework for development of a legal agreement for the clean up, storage and long-term management of certain of the Historical Wastes. On June 19, 2001, the government of Canada announced that the legal agreement had been signed and that it would invest about $260 million over 10 years to carry out the work. In July 2002, the government of Canada released the scope document for the environmental assessment of the project to manage low level radioactive waste for the long term in the Port Hope area. The project remains in the environmental assessment process.

Pursuant to the Principles of Understanding, in March 2004, Cameco reached an agreement to transfer the Port Granby Waste and Welcome Waste Sites to the government of Canada, which through its ownership of ENL indirectly owned these waste sites prior to 1988. The transfer will occur after the government receives a license to construct a long-term waste management facility at these sites. As part of the transaction, the government has agreed to accept, without charge, 150,000 cubic metres of Cameco owned low-level radioactive waste.

The government has also agreed to assume all liability for wastes located at these sites after taking ownership, subject to Cameco's obligation to complete its maximum contribution of $25 million towards management and decommissioning of Historical Wastes. Cameco had previously recognized this liability for its maximum contribution of $25 million toward the cost of managing this material and actually has spent about $ 3.6 million of this ongoing commitment.

Regulatory Compliance

Potentially significant regulatory issues relate to the establishment of new criteria for levels of uranium in ambient air in the vicinity of the Company's Ontario operations and new criteria for heavy metals in effluent from Cameco's Saskatchewan mine and mill sites, establishment of new enhanced environmental monitoring programs in the vicinity of all Canadian operations and decisions arising from the current evaluation of radionuclide releases (including uranium) from nuclear facilities being carried out under the Canadian Environmental Protection Act. Changes to these regulations may require additional response by Cameco in the near term in order to remain in compliance with the relevant regulations and regulatory guidelines.

These new regulatory initiatives and future initiatives have and likely will continue to generate additional environmental studies in the vicinity of these operations. This is particularly evident in the area of pre-licensing environmental assessment. It is unclear if these additional studies will ultimately translate into further regulatory requirements on the Company.

Cameco continues to face challenges from the burden of increasing regulatory demands and costs from the CNSC, Canadian Environmental Assessment Agency and other federal and provincial regulators. In addition to the issues noted above, the lead regulator, the CNSC, has increased its fees charged to the nuclear industry. The CNSC is increasing the regulatory burden as a result of the implementation of the Nuclear Safety and Control Act ("NSCA") and in its interpretation of responsibilities under the NSCA, the Canadian Environmental Assessment Act and the Canadian Environmental Protection Act. For instance, Cameco has been directed to implement a formal quality assurance program to manage its Canadian nuclear operations and the scope of assessment needed for regulatory approval of changes to licence conditions has expanded. Lower tier operational changes are increasingly subject to regulatory review which may include delays due to longer regulatory approval processes. These increasing requirements are expected to result in gradually increasing administration costs and some additional capital expenditures for compliance. As well, the complex regulatory approval process reduces Cameco's flexibility to make operational changes in a timely fashion.

In recent years, when auditing Cameco, the CNSC has put a priority on auditing specific environmental and safety related programs. These have included such aspects as radiation protection programs, environmental monitoring, fire protection, operational quality assurance, organization and management evaluation, transportation systems, geotechnical monitoring and ventilation systems. These program-specific audits and regular site inspections by regulatory project officers have generated, and are intended to continue to generate, actions to improve environmental and safety performance and ensure that these risks remain well managed. Resulting program modifications are typically procedural and do not incur large capital costs.

In 2001, Cameco received a licence to become the operator of the Cigar Lake project. In 2002, the Port Hope and Blind River CNSC operating licenses were renewed for five-year terms, and in 2003, the Rabbit Lake licence was renewed for five years. In 2004, the Key Lake and McArthur River operating licenses were renewed until 2008. In December 2004, Cameco received from the CNSC a construction license for the Cigar Lake project. Cameco is also seeking approval to increase the production rate at the McArthur River/Key Lake operation.

US Environmental Regulation

Cameco subsidiaries' ISL operations in the US are subject to numerous federal, state and local regulations governing, among other things, air emissions, water discharges, hazardous materials handling and disposal and site reclamation. In 2000, at the Highland operation, PRI self reported to the Wyoming Department of Environmental Quality ("WDEQ") injection well casing leaks, resulting in releases into unauthorized zones. As a result of PRI's report, the Wyoming agency issued a notice of violation ("NOV"). PRI took the position that there was minimal environmental impact, given the quality of the released water and the geotechnical characteristics of the release zones. Nevertheless, the issue required additional investigation as a potential future decommissioning issue, and necessitated procedural and physical modifications in well construction to better assure injection well integrity. The well casing leaks are not expected to materially increase site decommissioning costs. There was no fine associated with the NOV, largely because of the self-reporting of the issue and its low potential for environmental impact. Arising from the NOV was an Administrative Order on Consent, which specified a compliance schedule and a revision of the regulatory permit to address the casing leak issue. The Order on Consent essentially forms a contract for resolving the issues arising out of the NOV. Changes in well construction have reduced the frequency of well casing leaks. The changes have been implemented at PRI's combined Smith Ranch-Highland operation.

After mining has been completed, an ISL wellfield must be restored in accordance with regulatory requirements. Generally this involves restoring the groundwater to its pre-mining use using reverse osmosis (ultra filtration technology) and restoration. Restoration of Crow Butte wellfields is regulated by the Nebraska Department of Environmental Quality ("NDEQ") and the Nuclear Regulatory Commission ("NRC") and restoration of Smith Ranch-Highland wellfields is regulated by the WDEQ and NRC.

Crow Butte has three wellfields under restoration. In 2000 Crow Butte Resources Inc., after the NDEQ confirmed that wellfield 1 was restored to its regulatory standards, requested the NRC accept that wellfield 1 was restored to its regulatory standards. The NRC approved the restoration on February 12, 2003.

Smith Ranch-Highland has three wellfields under restoration. In 1999 PRI requested the WDEQ accept that the A wellfield was restored to its regulatory standards. The WDEQ approved the restoration of the A wellfield, subject to some long term monitoring requirements in November 2003. The NRC approved the restoration of the A wellfield in June 20004.

The NRC has indicated that it is willing to enter into discussions with the WDEQ and the United States Environmental Protection Agency over wellfield jurisdiction. Discussions continue with regulators to establish clear jurisdiction and criteria for wellfield restoration. Despite encouraging signs to the contrary, the delays by regulators to accept restoration of the remaining wellfields is a significant issue for Cameco subsidiaries' US ISL operations, since it remains uncertain when, and at what cost, its US subsidiaries' ISL operations will be able to complete restoration of mined out ISL wellfields to the satisfaction of regulators.

Government Regulation

Cameco's business is subject to various levels of extensive governmental controls and regulations which are amended from time to time. The Company is unable to predict what additional legislation or amendments may be proposed that might affect its business or when any proposals, if enacted, might become effective.

Outlined below are some of the more significant government controls and regulations which materially affect the Company's uranium business.

Canadian Uranium Industry Regulation

The Canadian federal government has recognized that the uranium industry has special importance in relation to the national interest and therefore regulates the industry through regulations and policy announcements. The regulations and policy announcements apply to any uranium property or plant in Canada which the CNSC may determine to be,

or to have the capability of, producing or processing uranium for nuclear fuel application. The regulations require that the property or plant be owned legally and beneficially by a company incorporated in Canada.

Mine Ownership Restriction

The latest expression of Canadian government policy on non-resident ownership of uranium mining properties is contained in a letter dated December 23, 1987 from the Minister of State (Forestry and Mines) to the Canadian uranium industry. The basic limit for non-resident ownership of uranium properties at the stage of first production is 49%. Resident ownership levels of less than 51% will be permitted if the property is in fact Canadian-controlled. Exceptions to the policy may be granted subject to Cabinet approval and will be provided only in cases where it is demonstrated that Canadian partners cannot be found.

Cameco Ownership Restriction

As part of the Canadian government regulation of the Canadian uranium mining industry, the ENL Reorganization Act imposes constraints on the issue, transfer and ownership, including joint ownership, of Cameco shares so as to prevent both residents and non-residents of Canada from owning or controlling more than a specified percentage of shares. Please see "Description of Securities-Restrictions on Ownership and Voting" for a description of the constraints imposed by the ENL Reorganization Act.

Canadian Nuclear Safety and Control Act

In Canada, control of the mining, extraction, use and export of uranium was formerly governed by the *Atomic Energy Control Act* (the "AECA"), a federal statute. The AECA was administered by the AECB. On March 20, 1997, the NSCA received royal assent. In the following years, related regulations and key regulatory guidelines were prepared and finalized. On May 31, 2000, the new act and regulations came into force replacing the AECA. The NSCA expands the jurisdiction of the CNSC, which has replaced the AECB, notably expanding its role in environmental regulation.

The NSCA authorizes the CNSC to make regulations governing all aspects of the development and application of nuclear energy, including uranium mining, milling, conversion and transportation. The most significant powers given to the CNSC are in the licensing area. The NSCA grants the CNSC licensing authority for all nuclear activities in Canada, including the issuance of new licences to new operators, the renewal of existing licences, and amendments to existing licences. A person may only possess or dispose of nuclear substances and construct, operate and decommission its nuclear facilities in accordance with the terms of a CNSC licence. The licence specifies conditions that licensees must satisfy in order to maintain the right to operate nuclear facilities.

A fundamental principle in nuclear regulation is that the licensee bears the responsibility for safety, with the CNSC setting safety objectives and auditing licensee's performance against the objectives. The regulations made under NSCA include provisions dealing with facilities licence requirements, radiation protection, physical security for all nuclear facilities and the transport of radioactive materials. The CNSC has also issued guidance documents to assist licensees in complying with regulatory requirements such as decommissioning, emergency planning, and optimization of radiation protection measures.

The NSCA is the product of a recent update of regulatory requirements by the Federal government in relation to the effective regulation of nuclear energy in Canada. The NSCA grants to the CNSC the power to act as a court of record, the right to require financial guarantees for nuclear waste management and decommissioning as a condition of granting a licence, order-making powers which are more flexible than those allowed under the predecessor legislation, the AECA, and the right to impose higher monetary penalties than was allowed under such predecessor legislation. The NSCA also grants the CNSC power to require nuclear power plant operator re-certification and to set requirements for nuclear facility security measures. The NSCA also provides for increased emphasis on environmental matters, including a requirement that licensing applicants make adequate provision for the protection of the environment. Additional regulatory priority is evident in the areas of quality assurance and human factor engineering and assessment.

All of the Canadian operations of the Company are governed primarily by licences granted by the CNSC and are subject to all applicable federal statutes and regulations and to all laws of general application in the province where the operation is located, except to the extent that such laws conflict with the terms and conditions of the licence or applicable federal laws. Failure to comply with licence conditions or applicable statutes and regulations may result in orders being issued which may cause operations to cease or be curtailed or may require installation of additional

equipment, other remedial action or the incurring of additional capital or other expenditures to remain compliant. The Company may also be subject to prosecution if it fails to comply with such applicable statutes and regulations. Environmental regulation of the uranium mining industry in Saskatchewan and the uranium processing industry in Ontario are also regulated under both provincial and other federal legislation. Progress continued to be made to better harmonize provincial and federal regulatory regimes in Saskatchewan. In February 2003, the federal and provincial governments signed an agreement that is expected to lead to greater administrative efficiency in regulation of the Saskatchewan uranium industry over the next few years.

New projects must follow the NSCA procedures. Certain properties are deemed to have complied by transition rules from AECA to NSCA. In September 2002, a court held that Cogema's McClean uranium mill in Saskatchewan was not properly licensed under these transition rules. The decision was appealed to the Federal Court of Appeal, who unanimously overturned the lower court decision in June 2004. Leave to appeal was filed in September but a decision on the leave applications has not been made by the Supreme Court of Canada. The licensing process that Cameco is subject to may be longer and more complex depending upon the outcome of this litigation.

Uranium Export Regulation

The export of uranium is regulated by the Canadian federal government which establishes nuclear energy policy. Cameco's uranium exports are required to have export licences and export permits granted by the CNSC and the Department of Foreign Affairs and International Trade, respectively, and such licences and permits are obtained by Cameco for all such exports.

US Uranium Industry Regulation

Uranium recovery in the US is primarily regulated by the NRC pursuant to the *Atomic Energy Act of 1954*, as amended. Its primary function is to ensure the protection of employees, the public and the environment from radioactive materials and it also regulates most aspects of the uranium recovery process. The NRC regulations pertaining to uranium recovery facilities are codified in Title 10 of the Code of Federal Regulations ("10 CFR"). The NRC issues Domestic Source Material Licenses pursuant to 10 CFR Part 40.

The review of a license application is governed by the *National Environmental Policy Act* ("NEPA") which is implemented through 10 CFR Part 51. Although the NRC voted to support new regulations for uranium recovery operations, which would apply to the Company's US ISL operations, in 2002 the NRC withdrew their support for these regulations.

The NRC has approved an alternative process whereby a state government can regulate groundwater issues through a memorandum of understanding entered into with the NRC. When implemented, this will apply to all groundwater issues, including restoration, and eliminating one area of regulatory duplication pertaining to ISL well fields. The US Environmental Protection Agency ("EPA") and certain states have formally indicated that they too are in favour of the proposed process. The NRC is expected to decide later in 2005 whether to proceed with this change in the regulatory process.

The uranium recovery industry in Wyoming is also regulated by the WDEQ, Land Quality Division ("LQD") pursuant to the Wyoming Environmental Quality Act ("WEQA") and the LQD Non-Coal Rules and Regulations arising from the WEQA. Pursuant to WEQA, the WDEQ issues a permit to mine which is administered by the LQD. In addition, the state administers a number of EPA programs under the Clean Air Act and the Clean Water Act, some of which are incorporated into the LQD Non-Coal Rules and Regulations (for example the Underground Injection Control regulations under the Clean Water Act). Currently wellfield decommissioning is required to the background water standard in Wyoming. In November 2003, the WDEQ approved the wellfield groundwater restoration for Highland wellfield A subject to some long-term monitoring conditions. In June 2004, the NRC approved wellfield groundwater restoration for Highland wellfield A.

Similarly, the uranium recovery industry in Nebraska is regulated by the NRC and the NDEQ pursuant to the Nebraska Environmental Protection Act. Pursuant to this act and the regulations made thereunder, the NDEQ issues a permit to mine. In Nebraska wellfield groundwater restoration is required to the class of use water standard. The NDEQ and NRC have approved the restoration of wellfield 1 at Crow Butte.

In all cases, failure to comply with NRC license and/or state permit-to-mine conditions, or a failure to comply with other applicable rules and regulations, can bring enforcement action. For the state, this starts with non-cited violations for minor, easily correctable violations (generally through "conference and conciliation"), through notices

of violation ("NOV's") which can include: fines; supplemental environmental projects; remedial action, additional monitoring and permit changes; and, ultimately, could include orders to cease operations. NRC enforcement policy describes a progression of enforcement starting with an NOV and working through a pre-enforcement conference, fines, imprisonment and the barring of workers or contractors from working in the nuclear industry. Under state and federal law, criminal charges are possible if violations are deemed to be the result of criminal intent or action.

Following a determination by the federal Mine Safety and Health Administration ("MSHA") that it had no jurisdiction over the Smith Ranch-Highland operation, safety at the operation is regulated by the Wyoming State Mine Inspector's Office. MSHA regulates mine safety at Crow Butte.

Other agencies are involved in the regulation of the uranium recovery industry, either directly or indirectly, including the EPA, the Department of Transportation, the Bureau of Land Management, Department of Energy, the Department of Defense, the Army Corps of Engineers, and the US Fish and Wildlife Service, Nebraska Department of Health and Nebraska Department of Water Resources.

The export of uranium from the US and the movement of nuclear materials within the US are also regulated by the NRC. "NRC 741 form" reporting is the primary mechanism for tracking physical movements of US or any other origin uranium to foreign and domestic buyers. US government export policies are established and enforced through bilateral agreements for nuclear co-operation and trade with specific countries (or political blocs such as the EU), with the general goal of supporting the peaceful uses of nuclear energy while upholding specific US foreign policy and non-proliferation objectives. While specific sales contracts are not reviewed or approved, export licenses for shipment of uranium outside the US are granted by the NRC.

Land Tenure

Saskatchewan Operations

Most of the Company's uranium reserves and resources are located in Saskatchewan. The right to mine minerals is acquired by the Company as a lessee under a mineral lease from the province of Saskatchewan (a "Crown Lease"). A Crown Lease is for a term of 10 years, with a right to renew for successive 10 year terms in the absence of default by the lessee. The lessee is required to expend certain amounts for work during each year of a Crown Lease. A Crown Lease cannot be terminated except in the event of default and for certain environmental concerns as prescribed in *The Crown Minerals Act* (Saskatchewan). However, Crown Leases may be amended unilaterally by the lessor by an amendment to *The Crown Minerals Act* (Saskatchewan) or *The Mineral Disposition Regulations, 1986* (Saskatchewan).

The right to explore for minerals is acquired by the Company in Saskatchewan under a mineral claim from the province of Saskatchewan (a "Mineral Claim"). The term of a Mineral Claim is two years, with the right to renew for successive one year periods. To maintain a Mineral Claim in good standing, generally, the holder of a Mineral Claim must expend a prescribed amount on exploration. Excess expenditures can be applied to satisfy expenditure requirements for future claim years. Except for exploration purposes, a Mineral Claim does not grant the holder the right to mine minerals. A holder of a Mineral Claim in good standing has the right to convert a Mineral Claim into a Mineral Lease. Surface exploration work of a Mineral Claim requires additional governmental approvals.

The surface facilities and mine shafts are located on lands owned by the province of Saskatchewan. The right to use and occupy the lands is acquired under a surface lease (a "Surface Lease") from the province of Saskatchewan. A Surface Lease is for a period of time, up to a maximum of 33 years, as is necessary to allow the lessee to operate its mine and plant and thereafter to carry out the reclamation of the lands involved. Surface Leases are also used by the province of Saskatchewan as a mechanism to achieve certain environmental protection, radiation protection and socioeconomic objectives and as a result contain certain undertakings in this regard.

The Company's uranium mining and exploration properties in Saskatchewan are located on traditional lands of first nations. Pursuant to historical treaties first nation bands ceded title to most traditional lands in northern Saskatchewan in exchange for treaty lands but generally retained their right to hunt, fish and trap on these traditional lands. Cameco understands that the federal and Saskatchewan governments have a duty to consult first nations before they take actions that will affect the ability of first nations' people to exercise these rights. In a 2004 decision of the Supreme Court of Canada, involving the Haida First Nation and lands not ceded to the government of British Columbia pursuant to a treaty, affirmed the existence of a legal duty on the government to consult and, in certain circumstances, accommodate asserted aboriginal interests on an interim basis pending final resolution by treaty or otherwise. The duty to consult and accommodate does not, however, extend to private industry who seek

governmental approval to conduct activities on crown land. Moreover, the duty does not require that the First Nation agree to the proposed accommodation.

In February 2004, Cameco received correspondence from the English River First Nation asserting a right to be consulted with respect to the use of its traditional lands, which encompass the McArthur River mine, Key Lake mill and certain exploration areas. In January 2005, a similar assertion was made by the Métis Nation of Saskatchewan, but which also threatened non-violent civil disobedience, which would have a negative impact on Cameco's operations. In February 2005, the Métis Nation of Saskatchewan stated that, in order to pressure the government of Saskatchewan to meet its demands, it would establish road blockades at junctions of certain provincial highways near Key Lake. As the threatened road blockades could have resulted in Cameco ceasing milling and mining operations at Key Lake and McArthur River, Cameco obtained an injunction from the Saskatchewan Court of Queens Bench, prohibiting the Métis Nation of Saskatchewan from proceeding with the road blockade.

Although formal demands to be consulted came from the English First River Nation and the Métis Nation of Saskatchewan, the right to be consulted and accommodated with respect to development on aboriginal traditional lands is an expectation of all First Nation groups in Northern Saskatchewan. While not having a legal duty to consult, Cameco has a practice of engaging in extensive dialogue with First Nations and other stakeholders in northern Saskatchewan and believes it has good relations with them. Cameco also employs a significant number of First Nations and Métis at its operations and has substantial business relationships with First Nations and Métis in northern Saskatchewan and provides other social and educational support for them in northern Saskatchewan.

First Nations in Saskatchewan generally assert that the historical 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 the land. First Nations have launched a lawsuit in Alberta claiming that they did not cede title to oil and natural gas when they ceded title to the land. A similar lawsuit could be brought by First Nations in Saskatchewan.

US Operations

The Company's uranium reserves and resources in the US are held by subsidiaries and are located in Wyoming and Nebraska. The right to mine or develop minerals is acquired either by leases from the fee simple owners (private parties or the state) or mining claims located on property owned by the US Federal Government. In addition, the Company's subsidiaries acquire surface leases which allow wellfield installation and operation to permit the mining of the uranium reserves by ISL methods.

Canadian Royalties and Certain Taxes

Cameco pays royalties to the province of Saskatchewan on the sale of uranium extracted from ore bodies within the province under the terms of Part III of the Crown Mineral Royalty Schedule, 1986 (Saskatchewan) (the "Schedule"), as amended. Royalties include both a basic royalty and a tiered royalty. The basic royalty is equal to 5% of gross sales of uranium and is reduced by the Saskatchewan resource credit equal to 1% of the gross sales of uranium.

The tiered royalty is an additional levy on the gross sales of uranium which applies only when the sales price of uranium exceeds levels prescribed by the Schedule. Uranium sales subject to the tiered royalty are first reduced by capital allowances as permitted by the Schedule for new mine or mill construction and certain mill expansion. When these capital allowances are reduced to zero, tiered royalties become payable. Both the prices and the capital allowances as defined in the Schedule are adjusted annually to reflect changes in the Canadian gross domestic product.

The tiered royalty is calculated on the positive difference between the sales price per pound of U_3O_8 and the prescribed prices according to the following:

	Royalty Rate		Canadian Dollar Sales Price in Excess of:
	6%	$	15.20
Plus	4%	$	22.79
Plus	5%	$	30.39

The above prices are applicable to 2004 and are in Canadian dollars.

For example, if the sales price realized by Cameco was $25 per pound in Canadian dollars, tiered royalties would be calculated as follows (assuming all capital allowances have been reduced to zero):

[6% x ($25.00 – $15.20) x pounds sold] + [4% x ($25.00 – $22.79) x pounds sold]

Cameco did not pay tiered royalties in 2004. Cameco does not expect to pay tiered royalties in 2005 due to the availability of capital allowances .

Cameco is subject to capital taxes on paid-up capital (as defined for capital tax purposes in the relevant provincial legislation) in respect of its operations in Saskatchewan and in Ontario. In Saskatchewan, it pays at a rate of 0.6% on paid-up capital in excess of $10 million (note that this exemption amount can be as high as $17.5 million, depending on the percentage of salaries and wages paid in Saskatchewan). In addition, a resource corporation in Saskatchewan pays a corporate resource surcharge of 3.6% of the value of resource sales. This surcharge is only payable to the extent that it exceeds the regular capital tax. In Ontario, the Company pays a tax of 0.3% on paid-up capital allocated to Ontario.

Canadian Income Taxes

Cameco, certain wholly owned subsidiaries, and UEM are subject to federal and provincial income tax in Canada. Current income tax expense for 2004 was $23.1 million.

For income tax purposes, 25% of royalties are deductible in 2004 increasing to 100% in 2007. However, Cameco is eligible for the resource allowance (except at Bruce Power) which is a deduction from income for tax purposes. The resource allowance is equal to 25% of adjusted resource profits, as defined in the ITA. The resource allowance is 75% deductible in 2004, decreasing thereafter until it is eliminated in 2007. Bruce Power is eligible for the manufacturing tax credit and processing tax credit.

Cameco, certain wholly owned subsidiaries and UEM are also subject to federal large corporations tax, which is levied on a corporation's taxable capital employed in Canada. This tax is calculated at a rate of 0.225% on taxable capital in excess of $10 million. Total large corporations tax paid in 2004 was $5.8 million.

US Taxes

The Company, through its US subsidiaries, pays a severance tax to the state of Nebraska in respect of uranium produced at the Crow Butte mine and pays an ad valorem tax to the county and a severance tax to the state of Wyoming in respect of the Smith Ranch-Highland operation. Total severance and ad valorem taxes paid in 2004 were $729,318(US).

The Company, also through its US subsidiaries, is subject to US federal and state income tax. The income of Cameco's US subsidiaries is currently not subject to US regular income tax due to certain income tax deductions that are available. The Company's US subsidiaries may also be subject to Alternative Minimum Tax (AMT) at a rate of 20%. AMT paid in prior years may be carried forward indefinitely to be applied as a credit against future regular income taxes.

Employees

At December 31, 2004, Cameco had 1,636 employees. Of the total, 614 employees are represented by three separate locals of the United Steelworkers of America trade union with collective agreements for each of the two bargaining units at the Port Hope conversion facility (expiring June 30, 2007) and one for the bargaining unit employees at the McArthur River and Key Lake operations (expiring December 31, 2005).

Following a seven-week strike, in September 2004 the 200 hourly unionized employees at Cameco's Port Hope conversion facility accepted a new three-year contract (expiring June 30, 2007).

Nuclear Business – Risk Factors

The following information pertains to the outlook and conditions currently known to the Company which could have a material impact on the financial condition of the Company. This information, by its nature, is not all-inclusive. It is not a guarantee that other factors will not affect the Company in the future. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including "Common Risk Factors –

Uranium and Gold" and Management's Discussion and Analysis (Appendix "B"). As the context requires, the reference to Company or Cameco also includes Cameco's direct and indirect subsidiaries.

Volatility and Sensitivity to Prices

Because the majority of the Company's revenues are derived from the sale of uranium and uranium products, the Company's net earnings and operating cash flow are closely related and sensitive to fluctuations in the long and short term market price of U_3O_8 and for uranium conversion services. Historically, these prices have fluctuated and have been and will continue to be affected by numerous factors beyond the Company's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries, such as Canada, the US and Russia and other republics of the CIS; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; and production levels and costs of production in countries such as Russia and other republics of the CIS, Africa and Australia.

The fluctuation of the prices of uranium and UF_6 conversion services is illustrated by the following tables, which set forth, for the periods indicated, the highs and lows of the spot price for non-CIS origin U_3O_8 and the UF_6 conversion services, as published by Trade Tech:

Spot Uranium Prices (1)
(US $/lb of U_3O_8)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Spot										
High	12.20	16.50	14.30	11.80	10.90	9.40	9.50	10.20	14.40	20.50
Low	9.65	13.00	10.20	8.75	9.60	7.10	7.20	9.70	10.10	15.60

(1) Source: The Nuexco Exchange Value, formerly published by Nuexco. Since January 1995, it has been published by TradeTech. Since late 1992 the spot prices reflect the spot price for all uranium other than of CIS origin.

Range of Nuexco UF_6 Conversion Values (1)

For Spot and Near-Term Transactions

(US$/kg U)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Spot										
High	5.85	6.15	6.10	5.10	3.85	3.25	5.25	5.25	6.50	9.00
Low	5.50	5.85	5.10	3.50	2.55	2.35	3.65	5.05	4.90	6.80

(1) Source: The Nuexco Conversion Value, formerly published monthly by Nuexco. Since January 1995, it has been published by TradeTech. The conversion value over this period of time is for the provision of conversion services delivered in North America.

Although the Company employs various pricing mechanisms within its sales contracts to manage its exposure to price fluctuations, there can be no assurance that such a program will be successful.

Currency Fluctuations

Please see the disclosure under the heading "*Currency Fluctuations*" at "Common Risk Factors-Uranium and Gold."

Large underground flood at the McArthur River Mine or Cigar Lake Project

On April 6, 2003, production at Cameco's McArthur River mine was temporarily suspended, as an increased water inflow from an area of collapsed rock in a new development area began to flood portions of the mine. This incident resulted in a considerable shortfall in 2003 uranium production. The sandstone that overlay the basement rocks of the McArthur River deposit contains significant water, which is at hydrostatic pressure. Water flow into the mine area is generally prevented by ground freezing. There are technical challenges at McArthur River involving the groundwater and rock properties.

On December 21, 2004, the Cigar Lake joint venture decided to proceed with construction of a mine at Cigar Lake. The Cigar Lake deposit has hydro-geological characteristics similar to McArthur River and as a result also has technical challenges involving ground water and rock properties. Water flow into the mine area will also be generally prevented by ground freezing.

Mitigative actions have been taken at both the McArthur River mine and Cigar Lake project in an attempt to address the risk of water inflow such as occurred at McArthur River. This includes modifications to mine dewatering and treatment systems in order to increase emergency capacity.

There can be no guarantee against another flood of the McArthur River mine or a flood at the Cigar Lake mine. A future flood could result in a significant interruption of operations. Cameco may also experience loss of reserves if it is necessary to redesign or dewater either mine as a result of a future flood. The consequences of a future flood will depend on the magnitude, location, and timing of any such flood. If mining operations are interrupted or Cameco experiences a loss of reserves, this could have a material adverse impact on Cameco.

Technical Challenges

Due to the unique nature of the deposits at McArthur River and Cigar Lake, there are technical challenges involving groundwater, rock properties, radiation protection, mining methods and ore-handling and transport. Failure to resolve any one of these technical challenges at McArthur River or Cigar Lake may have a material adverse effect on the Company.

Cameco is subject to a number of operational risks and Cameco may not be adequately insured for certain risks.

Please see the disclosure under the heading "*Cameco and Centerra are subject to a number of operational risks and Cameco and Centerra may not adequately insured for certain risks*" at "Common Risk Factors-Uranium and Gold."

Replacement of Reserves

The McArthur River and Rabbit Lake mines are currently the Company's principal sources of mined uranium concentrates. Unless the Cigar Lake and Inkai deposits are placed into production or other reserves are discovered or extensions to existing orebodies are found, the Company's sources of mined uranium concentrates will decrease over time as reserves at these two mines are depleted. The Rabbit Lake mine is expected to be depleted in 2007. Although in the past the Company (or its predecessors) has successfully replenished its reserves through ongoing exploration, development and acquisition programs, there can be no assurance that Cameco's future exploration, development and acquisition efforts will be successful. In addition, while Cameco believes that the Cigar Lake and Inkai deposits will be put into production, there can be no assurance that they will be.

Imprecision of Reserve and Resource Estimates

Please see the disclosure under the heading "*Imprecision of Reserve and Resource Estimates*" at "Common Risk Factors-Uranium and Gold."

Production Estimates may be inaccurate

Please see the disclosure under the heading "*Production Estimates may be inaccurate*" at "Common Risk Factors-Uranium and Gold."

Exploration and Development activities may not be successful

Please see the disclosure under the heading "*Exploration and Development activities may not be successful* " at "Common Risk Factors-Uranium and Gold."

Environmental, health and safety risks.

Please see the disclosure under the heading "*Environmental, health and safety risks* " at "Common Risk Factors-Uranium and Gold."

Governmental Regulation and Policy Risks

Please see the disclosure under the heading "*Governmental Regulation and Policy Risks* " at "Common Risk Factors-Uranium and Gold."

Labour Relations

Collective agreements covering Cameco unionized employees at McArthur River and Key operations and Port Hope are currently in place. The collective agreement for unionized employees at the McArthur River and Key Lake operations will expire on December 31, 2005. The collective agreement covering unionized employees at Port Hope was ratified after a seven-week strike and will expire June 30, 2007. This strike resulted in a significant loss of planned UF_6 and UO_2 production. Cameco cannot predict at this time whether it will be able to reach new collective agreements with these or other employees without a work stoppage.

Any lengthy work interruptions could materially adversely affect Cameco's financial condition, liquidity and results of operations.

Political Risk

Please see the disclosure under the heading "*Political Risk*" at "Common Risk Factors-Uranium and Gold."

Cameco may be unable to enforce its legal rights in certain circumstances

Please see the disclosure under the heading "*Cameco or Centerra may be unable enforce its legal rights in certain circumstances* " at "Common Risk Factors-Uranium and Gold."

Properties may be subject to defects in title

Please see the disclosure under the heading "*Properties may be subject to defects in title*" at "Common Risk Factors-Uranium and Gold."

Aboriginal Title and Consultation Issues

First Nations and Métis title claims, as well as related consultation issues, may affect the ability of Cameco to pursue exploration, development and mining at its Saskatchewan uranium producing properties (McArthur River and Rabbit Lake) and developmental property (Cigar Lake), as well as milling ore at Key Lake. Cameco has received formal demands from the English First River Nation and the Métis Nation of Saskatchewan to be consulted and accommodated with respect to development on aboriginal traditional lands, which is an expectation of all First Nation groups in Northern Saskatchewan. Pursuant to historical treaties First Nation bands in Northern Saskatchewan ceded titled to most traditional lands in Northern Saskatchewan in exchange for treaty lands. However, First Nations in Saskatchewan 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. A similar lawsuit could be brought by First Nations in Saskatchewan.

Managing these issues is an integral part of exploration, development and mining in Saskatchewan and Cameco is committed to managing these issues effectively. However, in view of the legal and factual uncertainties, no assurance can be given that material adverse consequences will not arise in connection with First Nation and Métis title claims, as well as related consultation issues.

Counterparty/Credit Risk

Please see the disclosure under the heading "*Counterparty/Credit Risk*" at "Common Risk Factors-Uranium and Gold."

Decommissioning and Reclamation

Environmental regulators are increasingly requiring financial assurances to assure that the cost of decommissioning and reclaiming sites are borne by the parties involved, and not by government. Cameco has filed decommissioning plans for certain of its properties with regulators. These regulators have accepted the decommissioning plans in concept, not based upon a detailed performance forecast, which has not yet been generated. As Cameco properties approach or go into decommissioning, further regulatory review of the decommissioning plans may result in additional decommissioning requirements, associated costs and the requirement to provide additional financial assurances. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulators.

Competition from Other Energy Sources and Public Acceptance of Nuclear Energy

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrates and uranium conversion services. Furthermore, growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact 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 impact the continuing acceptance of nuclear energy and the future prospects for nuclear generation, which may have a material adverse effect on Cameco.

Dependence on Limited Number of Customers

The Company's principal business relates to the production and sale of uranium concentrates and the provision of uranium conversion services. The Company relies heavily on a small number of customers to purchase a significant portion of its production of uranium concentrates and its uranium conversion services. For instance, for the period 2005 through 2007, Cameco's five largest customers are anticipated to account for approximately 41% of the Company's contracted supply of U_3O_8. For the period 2005 through 2007, Cameco's five largest UF_6 conversion customers are anticipated to account for approximately 37% of the Company's contracted supply of UF_6 conversion services. Cameco is currently the only commercial supplier of UO_2 for use in Canadian CANDU heavy water reactors with sales to its largest customer, OPG, accounting for approximately 31% of the Company's UO_2 sales in 2004. The loss of any of the Company's largest customers or curtailment of purchases by such customers could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Uranium Industry Competition and International Trade Restrictions

The international uranium industry, including the supply of uranium concentrates and the provision of uranium conversion services, is highly competitive. The Company markets uranium to utilities in direct competition with supplies available from a relatively small number of world uranium mining and enrichment companies, from excess inventories, including inventories made available from decommissioning of nuclear weapons, from reprocessed uranium and plutonium derived from used reactor fuel, and from the use of excess enrichment capacity to re-enrich depleted uranium tails. The supply of uranium from Russia is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of Cameco and may affect the supply of uranium available in the US and Europe, which are the largest markets for uranium in the world.

With respect to UF_6 conversion, the Company competes on the basis of price, location and service with two other full scale commercial suppliers in the western world and with additional supplies available from excess inventories, including inventories made available from decommissioning of nuclear weapons, and the use of excess enrichment capacity to re-enrich depleted uranium tails.

Deregulation of the Electrical Utility Industry

The Company's future prospects are tied directly to the electrical utility industry worldwide. Deregulation of the utility industry, particularly in the US and Europe, is expected to impact the market for nuclear and other fuels for years to come, and may result in the premature shutdown of some nuclear reactors. Experience to date with deregulation indicates that utilities are improving the performance of their reactors, achieving record capacity factors. There can be no assurance that this trend will continue.

Reduced Liquidity and Difficulty in Obtaining Future Financing.

The further development and exploration of mineral properties in which Cameco holds an interest may depend upon Cameco's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that Cameco will be successful in obtaining required financing as and when needed. Volatile uranium markets may make it difficult or impossible for Cameco to obtain debt financing or equity financing on favourable terms or at all.

Accounting Policies

Please see the disclosure under the heading "*Accounting Policies*" at "Common Risk Factors-Uranium and Gold."

Internal Controls

Please see the disclosure under the heading "*Internal Controls*" at "Common Risk Factors-Uranium and Gold."

Key Personnel

Please see the disclosure under the heading "*Key Personnel*" at "Common Risk Factors-Uranium and Gold."

Cameco's success depends on its ability to attract and retain qualified personnel

Please see the disclosure under the heading "*Cameco's and Centerra's success depends on their ability to attract and retain qualified personnel* " at "Common Risk Factors-Uranium and Gold."

Prospects may suffer due to enhanced competition for mineral acquisition opportunities

Please see the disclosure under the heading "*Prospects may suffer due to enhanced competition for mineral acquisition opportunities* " at "Common Risk Factors-Uranium and Gold."

Cameco may experience difficulties with its joint venture partners

Please see the disclosure under the heading "*Cameco and Centerra may experience difficulties with its joint venture partners* " at "Common Risk Factors-Uranium and Gold."

Technical Obsolescence

Requirements for the Company's products and services may be affected by technological changes in nuclear reactors, enrichment and used fuel processing.

Bruce Power LP – Nuclear Electrical Generation

Overview

Business

Cameco, through subsidiaries, owns a 31.6% limited partnership interest in Bruce Power. Bruce Power's business is the generation and sale of electricity into the Ontario wholesale market. Bruce Power generates electricity from four Bruce "B" and two Bruce "A" nuclear-powered units. The Bruce "B" nuclear units and the two restarted Bruce "A" units have capacity to supply about 20% of Ontario's electricity needs. Bruce Power has about 3,600 employees.

Nuclear generation harnesses the energy released during controlled nuclear fission reactions to produce steam that is used to drive turbines to generate electricity. Nuclear generation has two main advantages: it is a relatively low marginal-cost production technology and it produces virtually no SOx, NOx, CO_2 or mercury. The latter advantage is increasing in significance as governments implement stricter air emission standards.

Nuclear stations have greater operational, maintenance, waste and decommissioning costs and have greater initial capital development costs than other generation technologies. This reflects the complexity of the technical processes that underlie nuclear power generation and additional design, security and safety precautions that are taken to protect the public from potential risks associated with nuclear operations. Offsetting these cost factors is the relatively low cost of nuclear fuel compared with fossil fuel costs. In general, Bruce Power's nuclear stations have a lower operating cost per megawatt-hour of electricity produced than fossil fuelled facilities.

2001 Acquisition

On May 12, 2001, Cameco, through its wholly owned subsidiary, Cameco Bruce Holdings Inc., acquired a 15% limited partnership interest in Bruce Power, an Ontario limited partnership, and directly acquired a 15% shareholding interest in Bruce Power Inc., the general partner of Bruce Power. On the same date, Bruce Power

signed and closed agreements with OPG and certain of its subsidiaries to lease and operate the Bruce “A” and “B” nuclear-powered units and related facilities located in south-western Ontario.

To obtain its interest in Bruce Power, Cameco committed to invest up to $100 million in Bruce Power and to provide up to approximately $102 million in financial assurances on behalf of Bruce Power. As of December 31, 2002, Cameco had invested approximately $93 million in Bruce Power and had provided about $84 million in financial assurances. In addition, Cameco purchased finished nuclear fuel from OPG for approximately $74 million for resale to Bruce Power, which resale has been completed.

Concurrent with Cameco’s acquisition, The Power Workers’ Union acquired a 2.0% limited partnership interest in Bruce Power and The Society of Energy Professionals acquired a 0.6% limited partnership interest in Bruce Power. They are the two main unions representing workers at Bruce Power. BE indirectly held the balance, being an 82.4% limited partnership interest in Bruce Power.

2003 Acquisition

In September of 2002, due to a weakened financial position, BE received financial support from the British government. As a condition of the agreement to provide its financial support, the British government required and received guarantees from certain BE subsidiaries and related companies, including Bruce Power. BE’s weakened financial position resulted in its agreement, in late 2002, to sell 79.8 % of its limited partnership interest in Bruce Power to a consortium of Cameco, TransCanada PipeLines Limited (“TransCanada”), and BPC Generation Infrastructure Trust (“BPC”), a trust established by the Ontario Municipal Employees Retirement System. The Power Worker’s Union and The Society of Energy Professionals agreed to acquire BE’s remaining 2.6% limited partnership interest in Bruce Power.

On February 14, 2003 the agreement closed, with a Cameco wholly owned subsidiary, Cameco Bruce Holdings II Inc., acquiring a 16.6% limited partnership interest in Bruce Power, bringing Cameco’s total indirect limited partnership interest in Bruce Power to 31.6%. Cameco concurrently increased its shareholding interest in Bruce Power Inc. from 15% to 33.3%. Cameco acquired these interests from an affiliate of BE and paid approximately $204 million.

Concurrently, TransCanada, through a subsidiary, and BPC each acquired a 31.6% limited partnership interest in Bruce Power and a 33 1/3% shareholding interest in Bruce Power Inc. from the same BE affiliate. The Power Worker’s Union and The Society of Energy Professionals increased their collective limited partnership interest in Bruce Power from 2.6% to 5.2% as part of the same transaction.

As part of the closing of this transaction, a Cameco subsidiary, a TransCanada subsidiary and BPC each advanced $75 million to Bruce Power. Bruce Power used these funds to pay $225 million in deferred rent that it owed to OPG (see “Overview-Bruce Power-OPG Lease”). The loan is due February 10, 2008 and bears interest at 10.5% per annum. At December 31, 2004, the entire amount was outstanding.

The Bruce Power limited partnership agreement and certain other related documents were amended to give effect to the new ownership of Bruce Power following closing. Under these new arrangements, among other things, Cameco will continue as Bruce Power’s fuel manager (see “Cameco Fuel Management”).

As part of the acquisition of BE’s interest in Bruce Power, the consortium acquired a BE affiliate’s 50% interest in Huron Wind L.P. (Cameco subsidiary’s share is 1/3 of the 50% interest). Located adjacent to the Bruce site, the nine-megawatt Huron Wind L.P. wind farm officially opened on November 29, 2002. OPG owns the other 50% of Huron Wind L.P.

Upon closing, Bruce Power’s guarantees in support of the financial support to BE provided by the British government were released.

The acquisition and its share of the OPG deferred rent payments were funded by Cameco with existing cash reserves and short-term debt.

Cameco’s total commitment for financial assurances given on behalf of Bruce Power is estimated to be $203 million at December 31, 2004. These financial assurances include financial assurances given to the CNSC in support of Bruce Power’s operating licence, guarantees in favour of OPG under the Lease (as defined below), and guarantees in support of Bruce Power’s power purchase agreements with customers. This last commitment is subject to adjustment as the actual amounts of financial assurances in support of power purchase agreements will fluctuate in

response to wholesale electricity market changes. As at December 31, 2004, the actual exposure was $130 million. See Note 16 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2004.

Bruce Power-OPG Lease

In May 2001, Bruce Power, as tenant, signed and closed agreements to lease and operate the Bruce "A" and "B" nuclear powered units and related facilities in south-western Ontario with OPG and certain of its subsidiaries. The initial lease period expires in 2018. Bruce Power has the right to extend the lease and certain related agreements for up to an additional 25 years. The lease was amended in January 2002, and again in 2003 as part of the 2003 Acquisition described above (as amended, the "Lease").

Bruce Power paid OPG an initial rental payment of about $552 million, comprised of about $327 million in cash and a $225 million note receivable as deferred rent. As part of the 2003 Acquisition, a Cameco subsidiary, a TransCanada subsidiary and BPC each advanced $75 million to Bruce Power. Bruce Power used these funds to pay the $225 million OPG note receivable.

Under the Lease spent fuel and decommissioning liabilities remain the responsibility of OPG and, as determined at the inception of the Lease, are covered by the existing Lease payments. The Lease with OPG provides for limited adjustments to the base rent every five years during the initial term of the Lease. These limited adjustments are based on a maximum of 50% of the value of the expected increase to the decommissioning costs for the Bruce Power facility discounted to January 1, 2001, determined using predetermined principles and assumptions. For each year in the period 2004 to 2008, the aggregate of these rents, subject to limited exceptions, cannot be less than $190 million. In 2004, the aggregate of these rent payments was approximately $223 million. There are no similar adjustments to the existing Lease payments with respect to spent fuel liabilities. Commencing in 2008, Bruce Power also has the right to terminate the Lease if the continuing operation of the facility is no longer economically viable, subject to a Lease termination fee of $175 million, certain ongoing operational requirements during handover and certain shut-down conditions prior to handover. Cameco has severally guaranteed Bruce Power's performance of these obligations.

OPG is responsible for nuclear waste and decommissioning liabilities at the Bruce site. OPG is responsible for the plant decommissioning (see "Nuclear Waste Management and Decommissioning").

Point Lepreau

In November 2004, Cameco announced that, together with TransCanada and BPC Generation Infrastructure Trust, it had requested Bruce Power Inc. to assist in the study of a potential investment in the Point Lepreau nuclear generating station in New Brunswick. Point Lepreau, which is indirectly owned by the provincial government, is a 635 – megawatt (net) CANDU-6 reactor, requiring major refurbishment in several years. Cameco expects to provide an update on the status of this project after due diligence has been completed and negotiations have proceeded to point where the Company makes its decision whether to proceed.

The Generating Facilities

Overview

The Bruce nuclear generating stations are located approximately 250 kilometres northwest of Toronto on Lake Huron. The Bruce nuclear generating stations consist of eight CANDU reactors. The four Bruce "B" reactors, with a combined net generating capacity of 3,160 megawatts, were commissioned between 1984 and 1987. The four Bruce "A" reactors, with a combined generating capacity of 3,087 megawatts, were commissioned between 1977 and 1979 and removed from service by OPG between 1995 and 1998. Bruce Power has returned two of the Bruce "A" reactors to service, with a combined net generating capacity of 1,500 megawatts. Bruce Power is currently undertaking a review of the feasibility of returning the other two Bruce "A" reactors to service. The four Bruce "B" reactors and two in-service Bruce "A" reactors give Bruce Power a net generating capacity of 4,660 megawatts. An average capacity factor of 85% is forecast for the Bruce "A" and "B" stations during 2005 compared to 82% achieved in 2004. The lower capacity factor in 2004 reflects the planned outage of all four Bruce "B" units in the fall of 2004 to perform an inspection of the vacuum building. This outage required all four units to be shut down simultaneously for approximately one month. This inspection is required by applicable regulatory requirements once every twelve years.

The estimated operating life of a nuclear generating station ends when substantial capital expenditures are required to replace life-limiting components, such as steam generators and fuel channel pressure tubes, and such capital expenditures are not economically justified. (See "Operating Life Assessment"). Bruce Power estimates that the operating life of the last of the four Bruce "B" nuclear units will end about mid-2018 (based upon 201,000 effective fuel power hours for fuel channels) and the operating life of the two Bruce "A" units will end about 2009 for Unit 3 and 2017 for Unit 4 (assuming steam generator replacement for Unit 4 in 2007). An investment by Bruce Power to replace steam generators, fuel channel pressure tubes and other life-limiting components at the end of their useful life will depend, among other things, on prevailing economic, financial and market conditions. If replacement of life-limiting components is not justified, Cameco expects that Bruce Power will continue to operate these units until their shutdown is dictated by safety or economic considerations. As part of its study to examine the feasibility of restarting Bruce A units 1 and 2, Bruce Power is also examining what improvements are needed to extended the life of the four Bruce B units.

In 2004, Bruce Power's capital expenditure program, excluding the Bruce "A" restart program, was about $360 million. In 2005, Bruce Power's capital expenditure program for the two A and four B reactors is expected to total about $265 million, plus an additional $110 million for sustaining capital and site service support areas. The capital expenditure program consists of:

Bruce B turbines/power uprate	$95 million
Bruce A unit 4 steam generators (progress payment)	$90 million
Infrastructure projects	$80 million

As part of its Bruce "B" power uprate project, Bruce Power plans to refuel the Bruce "B" units with modified fuel containing SEU beginning in 2007. The Bruce "B" units, with the exception of Bruce "B" Unit 6, are currently operating at 90% of maximum power based upon an operating limitation imposed by the CNSC. This limitation was placed on the reactors when studies revealed that emergency shutdown systems may not provide sufficient safety margins for certain low probability accidents. The derating to 90% of full power ensures that the necessary safety margin is maintained. (See "Reactor Physics") The use of the modified fuel is intended to improve the safety margins of the reactors and allow them to operate at their design capacity and with the necessary safety margin. Approval is required from the CNSC to operate the Bruce "B" units with the modified fuel. In 2004, Bruce "B" Unit 6 successfully completed the first step toward restoring maximum power with receipt of CNSC approval to operate at 93% on the basis of improved safety margins attributed to completion of the first phase of the power uprate program. (See "Uranium Fuel Conversion Services" and "Cameco Fuel Management"). The other aspects of its power Bruce "B" power uprate project include turbine generator upgrades and improvements to the reactor core.

Bruce "A" Restart

One of Bruce Power's key initiatives was the restart of two of the four laid-up units of the Bruce "A" station (Units 3 and 4). The first Bruce "A" unit (Unit 4) was connected to the Ontario electricity grid in October 2003, and declared in commercial production as of November 1st, 2003, with the second (Unit 3) connected to the grid in January 2004, and declared in commercial production as of March 1, 2004. These two Bruce "A" units have a combined net generating capacity of about 1,500 megawatts. The project costs to restart Units 3 and 4 of the Bruce "A" station were approximately $725 million. These costs were materially above the first forecast costs due to increased scope arising as a result of security concerns and regulatory requirements. There was also some unanticipated work required to assure safe startup and operation. As of December 31, 2004, both Units 3 and 4 are operating at full licensed power, although Unit 3 has experienced some performance degradation due to the aging steam generator components.

In January 2004, Cameco announced that Bruce Power was exploring the feasibility of restarting the remaining two laid-up units of the Bruce A station (Units 1 and 2). They have a combined net generating capacity of approximately 1,500 megawatts. They are the older of the four Bruce A units and have experienced the most operating time. Unit 1 was put into service in 1977 and laid up in 1997. Unit 2 was put into service in 1977 and laid up in 1995. If a decision is made to restart these units, significant capital expenditures will be required because, among other things, the units' steam generators and pressure tubes will have to be replaced and upgrades will be required to the units' fire protection, electrical and seismic systems to bring them up to current codes. The feasibility study has been completed and the project plan is substantially complete. Bruce Power management and the Bruce Power partners are currently reviewing them and discussions are ongoing with the government of Ontario. In the fall of 2004, the Ontario government announced the appointment of a negotiator to represent it in any potential

negotiations connected to the restart of Units 1 and 2. Cameco expects to make a decision in early 2005 on whether or not to proceed with this investment.

Operating Life Assessment

The initial estimated operating life for Bruce's nuclear generation units was 30 years. OPG undertook a comprehensive inspection and testing program in order to ascertain the physical condition of its nuclear generating assets, including the Bruce units, and Bruce Power has continued that program, partially by way of contract with OPG. The condition of the major components is assessed using a variety of inspection techniques such as ultrasonic, visual and functional testing. These results provide engineers with an assessment of the condition of such components relative to original design. Repeated inspection or testing during planned outages is used to project remaining life. The experience of other nuclear operators is also taken into consideration. This information is used to update the life cycle management plans for major plant components. The life cycle management plans are a key input to Bruce Power's business planning process. Bruce Power's current operating life estimates (see "- Generating Facilities") for the Bruce A and B units are based on the results of this program to date and on the previous operating history of the units. Bruce Power will continue to analyze information on the physical condition of its nuclear units and develop appropriate operational and maintenance activities.

As a key part of its 1997 Nuclear Recovery Plan, OPG has undertaken, and Bruce Power has continued at Bruce, an ongoing program to assess the condition of key components of the system including its steam generators, fuel channels and feeder pipes. As a result of these programs, Bruce Power has been better able to quantify equipment degradation status, such as the extent of steam generator tube corrosion, feeder tube wall thinning and pressure tube/calandria tube spacer location and relocation issues. As of December 31, 2004, 100% of Bruce Power's steam generators (with 100% of the areas of the inner tubes likely to experience degradation) had been inspected and the present condition of these components has been ascertained with a reasonable degree of certainty. On the basis of the steam generator program inspection results, periodic cleaning, repairs and internal modifications have been deemed necessary to slow down the degradation rates and restore unit reliability. Bruce Power is currently implementing comprehensive operation and maintenance life cycle management plans at its units aimed at enabling the steam generators to operate for the expected life of the units. Current estimates of the steam generator life are within the estimated operating lives of the units. In 2003, inspections on Bruce B Unit 8 identified some erosion on support plates in three of the eight steam generators. Repairs were made and no damage to the boiler plates was detected. Inspections on the other units have found no similar conditions and follow-up inspections on Unit 8 did not show any further degradation.

Current inspections in the fuel channel program support the fuel channels lasting until the end of the estimated operating lives for the Bruce A and B units. Maintenance activities at Bruce to reposition the support springs in the fuel channels started in 2001 and are planned to continue through 2006 to ensure that the end of life projections are achieved.

Feeder pipes are part of the piping system that carries hot water between the reactor and the steam generators. Thinning of feeder pipes occurs to varying degrees at all of Bruce's reactors. Extensive inspections have been carried out to establish the current condition of the feeder pipes of the Bruce units. Feeder pipe thinning and degradation are phenomena common to CANDU reactors and are the subject of industry studies and monitoring. However, compared to other CANDU units, it has occurred to a lesser extent at Bruce B and Bruce A due to the derating of the units, resulting in less harsh operating environments. The feeder pipes are thus not expected to limit the life of the units, although it is expected that if the units are refurbished to extend their operating lives, the feeder pipes will be replaced and upgraded.

Cracking of feeder pipes has been experienced at two CANDU plants located outside Ontario. The affected sections of pipe were replaced and the units were returned to service. Bruce Power has not experienced any feeder pipe cracking at any of its nuclear facilities but is carrying out inspections during regularly planned outages. The scale of these inspections has been increased in response to these external events. Bruce Power is also participating in research and development with other CANDU operators to establish the degradation mechanisms.

Candu Technology

The A and B units at Bruce Power use CANDU Reactors. CANDU is a pressurized-heavy-water, natural-uranium power reactor first designed in the 1960's by a consortium of Canadian government agencies and private industry. All commercial nuclear reactors in Canada use the CANDU technology. It is also the power-reactor product

marketed by Canada abroad. CANDU reactors are currently operating in Ontario, Quebec, New Brunswick, Argentina, Romania, South Korea and China.

CANDU reactors are unique in their use of natural-uranium fuel and deuterium oxide, or heavy water, as both a moderator to slow down the fission process and a heat transfer medium within the reactor. The refuelling system is also unique in that the CANDU reactors can be refuelled at full power. This is due to the subdivision of the core into hundreds of separate fuel channels each holding a series of natural uranium fuel bundles, allowing for greater fuel efficiency. In contrast, light water reactors, which use enriched uranium fuel, must be shut down during refuelling which may require a planned outage of 15 to 30 days every 18 to 24 months. Both CANDU and light water reactors have to shut down from time to time for maintenance and repair. Notwithstanding that CANDU reactors can be refuelled without being shut down, the number of outage days per year for Bruce's CANDU reactors currently tends to be greater than the average number of outage days per year for light water reactors, primarily due to maintenance and repair work required for pressure tubes and feeders, which are not used in light water reactors.

Each CANDU unit is designed with a computerized reactor control system which controls reactor power and the transfer of heat generated in the fuel to the turbines. By changing the power level demanded from the control system, the unit operator can adjust the reactor power level and, therefore, electrical generation, from shut down to full output. The system design also permits on-line maintenance, with redundancy features to improve reliability. Although the normal control process systems are reliable and capable of shutting down the reactor, the stations have also been designed with separate and independent multiple fail-safe safety systems for fast reactor shutdown, emergency cooling and radiation containment. All of Bruce Power's reactors have two physically separate and independent systems designed to shut down the reactor within two seconds of being activated. Each of these systems is independent of the primary control systems and includes multiple sensors for detecting emergency conditions. The first shutdown system consists of neutron absorbing rods suspended above the reactor, which would fall automatically into the moderator upon detection of an emergency condition. The second shutdown system contains a neutron-absorbing solution, which would be rapidly injected into the heavy water. The primary shutdown mechanism consists of fast-acting neutron absorbing rods. An additional slower-acting shutdown mechanism, which drains the reactor moderator to a dump tank, is also present.

The Bruce units also have an emergency core coolant injection system which would be activated in the event of a pipe break in the reactor coolant system. This system would inject ordinary water into the cooling system to ensure that coolant continues to circulate over the nuclear fuel bundles to prevent them from overheating. In addition, all of Bruce Power's nuclear units have a negative pressure containment system. Each reactor is enclosed in a thick-walled concrete containment building connected to a vacuum building by a large duct. If pressure in the containment building exceeds operating limits, pressure relief valves would automatically open and release any radioactive material into the vacuum building. The negative pressure within the vacuum building, together with steam suppression by a dousing system, is designed to keep radioactive material safely contained within the vacuum building walls. Controlled venting, within permissible levels of release, would also be available for long-term pressure control through filtered-air discharge systems.

Reactor Physics

The CNSC requires that Bruce Power and other nuclear operators conduct safety analysis in order to license reactors for operation. One of objectives of such safety analysis is to demonstrate that an unacceptable release of radioactivity will not occur in the event of a large break loss of coolant. In 1999, the CNSC requested that OPG, the prior operator of the Bruce units, use a new set of computer codes for performing such safety analysis. Analysis performed by OPG with the new codes indicated a reduction in the safety margins from those obtained with the old codes. OPG therefore introduced operational changes for the Bruce units that resulted in a period of operation at reduced reactor power output (referred to as a "derate"). The reduced safety margins identified by the amended reactor physics codes reduced operating margins and increased costs of operating the Bruce units.

The Bruce units have been maintained in a derated position because of safety margin limitations arising from the large break loss of coolant accident analysis. Bruce Power, along with AECL, Cameco and Zircatec Precision Industries Inc. ("ZPI"), have jointly undertaken a program to develop and manufacture low void reactivity fuel (LVRF) to restore and increase the safety margins. Cameco's specific role is to manufacture slightly enriched uranium (SEU) powder to be used in the LVRF. LVRF use not only restores safety margins, but has the beneficial effect of sufficiently increasing safety margins to allow the Bruce B units to undergo a power uprate (or power restoration) to its original 100% power design basis. (See "Cameco Fuel Management")

Employees

Bruce Power has 3,600 employees. Most of them are unionized. The PWU Collective Agreement expires December 31, 2006. The Society Collective Agreement, which commenced January 1, 2005, expires December 31, 2009.

Cameco Fuel Management

Cameco has overall responsibility to procure nuclear fuel for Bruce Power. This includes the supply by Cameco of all uranium concentrates and UO_2 conversion services required for the Bruce nuclear generating stations, making Bruce Power a significant customer for Cameco's core products. The six Bruce units are expected to use about 1.5 million pounds of U_3O_8 and 0.6 million kilograms of natural UO_2 conversion services each year.

In late 2001, on behalf of Bruce Power, Cameco negotiated a fuel manufacturing services agreement with ZPI covering all of Bruce Power's fuel manufacturing requirements through the initial Lease period. Under the arrangement, ZPI will manufacture UO_2 provided by Cameco into finished nuclear fuel bundles for Bruce Power.

Bruce Power is also pursuing the use of SEU as part of its power uprate project for the four Bruce "B" units. Cameco is working with Bruce Power, ZPI and others in the development of SEU. Cameco expects Bruce Power's use of SEU will increase the volume of U_3O_8 sold to Bruce Power and will not significantly reduce natural UO_2 conversion services sold to Bruce Power (see "Uranium Fuel Conversion Services" and "Reactor Physics"). Cameco has initiated a project at its Port Hope facilities to modify and add the facilities to manufacture SEU powder for the Bruce Power fuel. An environmental assessment has been submitted in accordance with regulatory requirements.

OPG Services to Bruce Power

As part of the OPG-Bruce Power transaction, OPG agreed to provide certain services to Bruce Power. Some of these services are required in order for Bruce Power to comply with terms of its CNSC operating licences. The material short-term OPG services include: nuclear operating support services and steam generator and fuel channel inspection and maintenance services. These services may be terminated upon 12 months prior notice by either Bruce Power or OPG. The material long-term OPG services include services relating to the supply, delivery and processing of heavy water for use in the Bruce nuclear units, low level and intermediate waste storage and disposal services, and collection and storage of used fuel bundles generated from the operation of the Bruce nuclear units as further described in "Nuclear Waste Management and Decommissioning."

Nuclear Waste Management and Decommissioning

As they operate, the Bruce nuclear units generate:

- used nuclear fuel bundles ("high-level radioactive waste");
- other material that has come in close contact with reactors but is less radioactive than used nuclear fuel bundles, such as ion exchange resins and other structural material and reactor equipment, including pressure tubes ("intermediate-level radioactive waste"); and
- material used in connection with station operation that is not highly radioactive ("low-level radioactive waste").

Used nuclear fuel bundles from the Bruce reactors are temporarily stored in water-filled pools ("wet bays") at the Bruce nuclear stations for a cooling off period of at least ten years during which their radioactivity substantially decreases. OPG has constructed a dry storage facility at its radioactive waste operations site that is located on a part of the Bruce site not leased to Bruce Power. After the cooling off period, used nuclear fuel bundles will be transferred to above ground concrete canisters at OPG's dry storage facility. In-station modifications to the Bruce "B" wet bays to support the loading of used nuclear fuel bundles into dry storage containers were completed by Bruce Power in 2002. When originally constructed, the wet bays at Bruce "A" and "B" had sufficient capacity to store used nuclear fuel bundles for up to 15 to 20 years of operation. The Bruce "B" wet bays are at or near full capacity, but in 2003, OPG started transferring the used fuel bundles to its dry storage facility.

OPG assumes title to the used nuclear fuel bundles discharged from the Bruce reactors during the Lease period. OPG retains title to all used fuel bundles stored in the wet bays before May 11, 2001. No later than April 2003, OPG

was required to commence collection of used nuclear fuel bundles stored in the wet bays for transport to and storage at its dry storage facility at the Bruce site. These shipments have now commenced. While the used nuclear fuel bundles are contained in wet bays, Bruce Power is responsible for their management.

During the term of the Lease, OPG has also agreed to take title to, store and dispose of all of Bruce Power's low and intermediate-level radioactive waste at OPG's radioactive waste management facility at the Bruce site. OPG retains title to all low and intermediate-level radioactive waste generated before May 11, 2001.

Under the Lease, OPG, as the owner of the Bruce nuclear plants, is responsible for decommissioning of the eight Bruce nuclear units and for funding and meeting other requirements relating thereto that the CNSC may require of Bruce Power as licensed operator of the Bruce nuclear plants. OPG is also responsible for managing radioactive waste associated with decommissioning of the Bruce nuclear plants.

There is no facility in Canada for the permanent disposal of used nuclear fuel. The *Nuclear Fuel Waste Act*, implementing the federal government's nuclear fuel waste management strategy, came into force in November 2002. As required by this legislation, owners of used nuclear fuel in Canada established an organization, as a separate legal entity, with a mandate to manage and co-ordinate the full range of activities relating to the long-term management of used nuclear fuel. It is expected that this organization will complete a study of the options available for the long term management of used fuel for federal government consideration. This legislation also required the owners of used nuclear fuel, including OPG, to establish a trust fund with a Canadian financial institution and make specified deposits. As OPG is the owner of the used nuclear fuel bundles discharged from the Bruce units, it, not Bruce Power, is subject to the financial contribution requirements of this legislation.

Federal Regulation

Bruce Power's operations are heavily regulated. The CNSC, an agency of the federal government, regulates Bruce Power's nuclear operations through its powers under the *Nuclear Safety and Control Act* (Canada). (see "Government Regulation-Canadian Uranium Industry Regulation"). In addition, Bruce Power is subject to the *Nuclear Liability Act* ("NLA"), as well as other legislation associated with labour and environmental matters.

All of the construction, equipment, safety systems and operating limits for the Bruce nuclear generation stations are subject to regulation by the CNSC under the *Nuclear Safety and Control Act* (Canada). Under licenses issued by the CNSC, Bruce Power is required to regularly report on operations to the CNSC, which monitors the safety performance of the Bruce nuclear generating stations.

On May 9, 2001, Bruce Power received a licence to operate the Bruce "B" nuclear units and a license to operate the Bruce "A" nuclear units, which licences took effect on May 11, 2001.

On September 24, 2003, and February 5, 2004 CNSC hearings were held to consider the renewal of the power reactor operating licenses for the Bruce "A" and "B" reactors. On March 12, 2004, Bruce Power received a 5-year operating license to operate the "A" and "B" reactors through March 31, 2009. Financial assurances required by the CNSC in respect of this license were determined to be $71 million.

The NLA requires operators of nuclear generating facilities to purchase nuclear liability insurance from the Nuclear Liability Association of Canada in amounts specified in the NLA. Currently, the NLA requires the operator of nuclear stations to maintain, for each of its nuclear stations, insurance up to a limit of $75 million for liability imposed under the NLA. Under Part I of the NLA, an operator is strictly liable for any damage to property of, or personal injury to, the public arising from a nuclear incident (as defined in the NLA), other than damage resulting from sabotage or acts of war. If in the opinion of the Governor in Council, an operator's liability could exceed $75 million in respect of a nuclear incident, or it would be in the public interest to do so, the Governor in Council would proclaim Part II of the NLA in effect. Under Part II of the NLA, an operator's liability would effectively be limited to the amount of such insurance and the Governor in Council may authorize funds to be paid by the federal government for claims in excess of that amount. The NLA is currently under review and this review could require an increase in insurance coverage that Bruce Power must obtain.

Ontario's Electricity Regulation

Ontario Deregulation

The electricity market in the province of Ontario opened ("Market Opening") to full competition on May 1, 2002. In order to create a competitive market after Market Opening, the Ontario government approved a framework, known as the "market power mitigation" framework, to ensure an orderly and gradual transition to an industry structure in which OPG's share of generating capacity available to the Ontario market is substantially reduced.

In the Ontario market, generators, wholesalers and suppliers, both inside and outside Ontario, compete to sell electricity into the real time energy market or spot market administered by an agency established by the Ontario government and recently renamed the Independent Electricity System Operator ("IESO"). Both wholesale market participants and retail customers have access to the electricity supplier of their choice. Bruce Power earns revenue through medium- and long-term contracts and spot market sales. Bruce Power uses risk management activities, such as hedging, in order to mitigate Bruce Power's exposure to volatile electricity prices.

In November 2002, the Government of Ontario introduced Bill 210 *Electricity Pricing, Conservation and Supply Act, 2002,* reversing, in part, its decision to deregulate the electricity market. The Bill became law on December 9, 2002. The new legislation and related regulations included the following key features:

- Effective December 1, 2002 (but retroactive to Market Opening), the price of electricity paid by "low volume consumers" (consumers using less than 150,000 kWh annually, although this was subsequently increased to 250,000 kWh, as described below) and other "designated consumers" was fixed at 4.3¢/kWh;
- The rates of transmission and distribution and the fees for the operation of the IESO were capped at current levels.
- IESO market uplift charges to distributors and low volume and designated consumers were capped at 0.62¢/kWh.
- The Minister of Energy was given increased power including the ability to review market rules made by the IESO to ensure that the new rules did not unduly and adversely affect the interests of consumers, with respect to prices or the reliability or quality of electricity service. This Minister was also given power to control rates approved by the Ontario Energy Board ("OEB") and to require certain orders to be amended.
- Tax incentives were provided to promote conservation, use of alternate fuels and support for clean energy production through a variety of mechanisms.

On March 21, 2003, the Province announced a business protection plan for large electricity consumers in Ontario. Under this plan, consumers using up to 250,000 kWh per year were included in the fixed price rate of 4.3¢/kWh retroactive to May 1, 2002. Except for certain designated customers, all consumers using above 250,000 kWh per year remained in the competitive wholesale and retail markets and received rebates under the terms of the existing market power mitigation agreement arrangements for the 12 months ending April 30, 2003. Effective May 1, 2003, rebates to these customers were fixed at 50% of the amount by which the average spot price in the IESO-administered market exceeded 3.8¢/kWh, with rebates paid on a quarterly basis.

On November 25, 2003, the newly elected Liberal Ontario Provincial Government introduced Bill 4, the Ontario Energy Board Amendment Act, 2003, which removed the 4.3¢/kWh price freeze effective April 1, 2004 and replaced it with an interim pricing plan. This interim plan priced the first 750 kWh (kilowatt hours) of consumption at 4.7¢/kWh and monthly consumption above that level at 5.5¢/kWh. The Ontario government stated that the interim pricing structure would remain in place until the independent regulator, the OEB, developed a clear and transparent mechanism for setting prices, to be implemented as soon as possible, but not later than May 1, 2005. The interim pricing structure did not distinguish between commercial and residential users; it only distinguished between consumption patterns.

In June 2004, the Ontario government introduced legislation to establish a new structure to the electricity sector. This legislation, Bill 100, the "Electricity Restructuring Act, 2004" ("Electricity Restructuring Act"), received royal assent on December 9, 2004, and since then, many of its sections have since then been proclaimed in force. Highlights of the Electricity Restructuring Act include:

- the creation of a new Ontario Power Authority ("OPA"), that will be responsible for ensuring adequate, long-term supply of electricity;
- regulated prices in parts of the electricity sector to ensure price stability for consumers;
- a revised role of the renamed Independent Electricity System Operator;
- creation of a new Conservation Bureau, that will be led by Ontario's Chief Energy Conservation Officer; and
- provisions that will continue to enable the Ministry of Energy to set targets for conservation, renewable energy, and the overall supply mix within Ontario.

Regulated prices, as referenced above, will be linked to generation from prescribed facilities, which as of December 31, 2004, are anticipated to consist of OPG's baseload nuclear and hydroelectric generation stations. All other generating facilities are expected to continue selling electricity within the framework of the competitive wholesale market, with the exception of the non-utility generators with existing contracts with OEFC and generators who enter into long-term contracts with the OPA.

In light of the changes discussed above brought about by the enactment of the Electricity Restructuring Act, it appears evident that the initiative to decontrol OPG assets, as originally contemplated within the deregulation framework in 2002, has receded.

Legislation

The *Electricity Act, 1998* (Ontario) (the "Electricity Act"), implements the fundamental principles of the restructuring of Ontario's electricity industry. These include the assurance of the adequacy, safety, sustainability and reliability of electricity supply in Ontario, the encouragement of electricity conservation and the efficient use of electricity, the protection of the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service, the establishment of an independent electricity system operator and the implementation of non-discriminatory access to transmission and distribution systems.

The *Ontario Energy Board Act, 1998* ("OEB Act, 1998") expands the jurisdiction and mandate of the OEB in the regulation of the electricity and natural gas markets. In its role as regulator of the Ontario electricity market, the OEB has broad powers relating to licensing, rate regulation and market supervision. The OEB is obligated to implement the Province's policy directives, including directives concerning conservation matters as well as those intended to address existing or potential abuses of market power by energy sector participants. Upon the petition of any party or interested person, the Province may require the OEB to review all or any part of an order that the OEB has issued.

The purposes of the Electricity Act are to: (a) ensure the adequacy, safety, sustainability and reliability of electricity supply in Ontario through responsible planning and management of electricity resources, supply and demand; (b) encourage electricity conservation and the efficient use of electricity in a manner consistent with the policies of the Government of Ontario; (c) facilitate load management in a manner consistent with the policies of the Government of Ontario; (d) promote the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources, in a manner consistent with the policies of the Government of Ontario; (e) provide generators, retailers and consumers with non-discriminatory access to transmission and distribution systems in Ontario; (f) protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service; (g) promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity; and (h) ensure that Ontario Hydro's debt is repaid in a prudent manner and that the burden of debt repayment is fairly distributed. The objectives of the OEB pursuant to the OEB Act, 1998 are to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service and to promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

The key regulatory instruments authorized by the Electricity Act and the OEB Act, 1998 that apply to Bruce Power and its business are: the Market Rules made by the IESO; and Bruce Power's generation licence issued by the OEB. Elements of the restructuring of Ontario's electricity industry are in place, including the regulations and Market Rules that govern the wholesale and retail electricity markets. These regulations and Market Rules include technical

provisions dealing with participation in the markets, the delivery of energy through the IESO-controlled grid and the provision of certain ancillary services and the IESO's financial markets arrangements.

Since Market Opening, a number of amendments have been made to both the Electricity Act and the OEB Act, 1998 through the following legislation: Bill 58, the *Reliable Energy and Consumer Protection Act, 2002*, Bill 210, the *Electricity Pricing, Conservation and Supply Act, 2002,* and the Electricity Restructuring Act, the *Electricity Restructuring Act, 2004* ("Electricity Restructuring Act") plus related regulations. Bill 58 focused on the conduct of retailers selling to consumers who use less than 150,000 kWh of electricity annually. This has had little direct impact on Bruce Power. Bill 58 also increased the investigative power of the Market Surveillance Panel ("MSP"). The changes implemented by the *Electricity Pricing, Conservation and Supply Act, 2002* and the *Ontario Energy Board Amendment Act (Electricity Pricing), 2003* are discussed in more detail under the section *"Ontario Deregulation"*. The Electricity Restructuring Act significantly restructures Ontario's electricity regime. The Electricity Restructuring Act was passed on December 9, 2004 and many of its sections have since then been proclaimed in force. The Electricity Restructuring Act introduces a hybrid electricity market model — a mixture of government regulation and private sector competition. Regulation will continue with respect to the price of electricity charged to certain consumers and will also apply in respect of the output of the nuclear and certain other plants owned by OPG. Other areas of the electricity sector will be subject to competition. The Electricity Restructuring Act also creates a new agency, the OPA, to oversee and facilitate electricity supply adequacy and conservation. The Electricity Restructuring Act also renames the IMO as the IESO, transfers the Market Surveillance Panel from the IESO to the OEB and further expands the role of the OEB. In summary, these statutes and related regulations have enacted a number of amendments to the regulation of the Ontario electricity market, with the most significant changes being introduced most recently by the Electricity Restructuring Act, details of which are discussed in more depth below.

Creation of OPA

The Electricity Restructuring Act creates the OPA, which is an independent, self-financed, non-profit corporation, charged with a mandate to ensure long-term supply adequacy in Ontario. Both the Minister of Energy and the OEB will oversee the OPA. The Minister of Energy will, among other things, set generation and conservation directives and goals, draft regulations for procurement contracts and settlement methodology and approve both the business plan and the budget of the OPA. The OEB will, among other things, approve the OPA's fees and charges (which allows the OPA to recover its costs and expenses), review its Integrated Power System Plan and approve the OPA procurement process and settlement and variance mechanisms. The IESO has been designated to collect the OPA fees and charges.

The OPA will, among other things, (i) assess the adequacy and reliability of electricity resources for the medium and long-term, (ii) forecast electricity demand and the potential for conservation and renewable energy, (iii) prepare an integrated system plan for generation, transmission and conservation, (iv) procure new supply, transmission, demand management and conservation either by competition or by contract when necessary, (v) promote the diversification of electricity sources through cleaner energy sources and technology and alternative and renewable energy sources and (vi) stabilize rates for certain consumers.

The OPA is empowered to enter into generation and transmission and procurement contracts where necessary. The OPA is enabled with a broad ability to recover its costs and payments associated with procurement contracts. The integrated power plan created by the OPA will be presented to the Minister and may be reviewed by the OEB to ensure that it is compliant and addresses the directives set by the Minister as well as being economically prudent and cost effective. The OEB may approve the plan or send it back to the OPA with comments for further consideration and resubmission to the OEB.

Electricity Price Adjustments

Regulations under the Electricity Restructuring Act will require the IESO, electricity distributors and retailers to make adjustments to their billing systems so that payments made by consumers (large loads and anyone not prescribed by regulation) are equal to the payments made to the generators, the OPA and OEFC. The Electricity Restructuring Act introduces a blended electricity price from various generation sources. Low-volume and designated consumers, on the other hand, will pay a price established under a regulated price plan under the jurisdiction of the OEB.

When determining what this regulated price will be, the OEB will likely consider such factors as contract prices, forecasted market price and the expected cost of electricity consumed by consumers to whom the rates apply, and

take into account the balances in the OPA's variance accounts. The OPA variance accounts will track the difference between accounts receivable and accounts payable by the OPA for its purchases and sales of electricity. Consumers that are entitled to participate in the regulated rate plan will have the option of purchasing their electricity from energy retailers.

Transmission Congestion

The *Electricity Act, 1998* (Ontario) mandates non-discriminatory access to transmission and distribution facilities by providing that every transmitter or distributor must provide generators, retailers and consumers with non-discriminatory access to its transmission or distribution systems in Ontario in accordance with its licence.

A uniform market-clearing price within Ontario is calculated on a congestion-free basis. Settlements for generators are based on metered energy multiplied by the uniform market-clearing price. If transmission constraints or line losses require less expensive generation to be removed from production and more expensive generation to produce more electricity, the constrained generators will be compensated by an additional payment, which will be charged to consumers. The IESO collects and publishes locational pricing data to determine the extent of congestion in the Ontario market and will recommend whether to move to some form of congestion pricing as part of the market evolution process. Depending on the extent of congestion, this change could result in locational pricing, in which individual market clearing prices would be established for various locations in Ontario. Interconnections with other jurisdictions are treated as separate zones from the rest of Ontario and separate zone prices apply when an interconnection is constrained.

The IESO

The IESO functions both as independent system operator, ensuring overall system reliability and stability through control of physical dispatch, and as the clearing house for the settlement of spot transactions by suppliers and purchasers of electricity participating in the IESO wholesale market. The Electricity Restructuring Act authorizes the IESO, through its billing and settlement systems, to ensure that market participants will, over time, pay the true cost of electricity, taking into consideration the mix of regulated and market prices payable to generators and prices payable under amendments to the OEB Act, 1998.

As a result of the Electricity Restructuring Act, the IESO's duties in relation to the forecasting of electricity demand will be reduced to short term forecasting. The role that the IMO played in medium and long-term electricity planning is transferred to the OPA. The IESO will continue to provide information to the public regarding the current and short-term electricity needs of the Province and the ability of the integrated power system to meet those needs, and the Electricity Restructuring Act will also require that the IESO provide this information to the OPA.

The IESO-administered wholesale market for energy services consists of. (i) both physical markets, relating to the dispatch and pricing of electricity; and (ii) financial markets, which are focused on financial risk management associated with the exposure to spot market energy prices and to transmission constraints. The following chart provides an illustration of the products and services that are available in the IESO-administered market, as well as some additional products and services which may be introduced at a later date.

The IESO-administered physical electricity markets consist of both real-time and procurement markets: real-time markets for energy and operating reserve, and, if implemented, a capacity reserve market, and procurement markets for additional generation-related services to maintain reliability of the transmission grid.

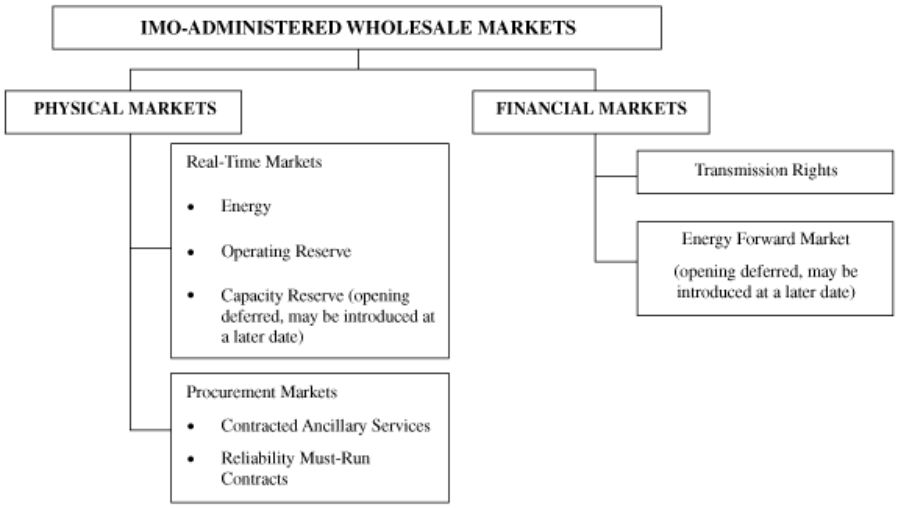
Spot market prices in the IESO-administered real-time market fluctuate significantly as a result of a number of influences, including domestic market demand, operating reserve requirements, generation availability and the volume of imports from and exports to interconnected markets. The highest spot market prices are set during periods of peak demand and are typically set by plants with the highest marginal cost at that point in time. This is usually natural gas generators or facilities with limited energy generation available. During off-peak periods, spot market prices are generally set by plants with a lower marginal cost of production, such as coal-fired generation. Spikes in spot prices are very often weather and capacity driven. Due to the fact that the Ontario market is interconnected with other energy marketplaces, prices in Ontario are also influenced by conditions in those markets.

The IESO is conducting a consultation process on market evolution to address several key market design issues and implement changes, including the following: (i) implementation of a day ahead market; (ii) optimization of dispatch over multiple intervals rather than the current process which optimizes dispatch every five minutes; (iii) consideration of some form of locational marginal pricing ("LMP") (LMP is used by both New York and PJM, and

is being proposed in the Midwest ISO); and (iv) proposals to deal with both short-term and long-term resource adequacy.

The IESO-administered financial markets are intended to provide wholesale market participants with risk management opportunities through the trading of transmission rights and energy forward contracts.

Transmission rights are sold to market participants by the IESO in scheduled auctions. The operation of the transmission rights market is intended to provide market participants with a financial hedge for congestion when importing or exporting energy. Congestion occurs at a time when the IESO receives more bids or offers than can be accommodated given the available limits on transmission capacity between Ontario and the interconnected market at an inter-tie. When the flows of electricity are such that an inter-tie reaches its capacity, it results in variations in energy prices on either side of the inter-tie. Transmission rights are a financial risk management instrument and do not provide a market participant with priority access to transmit electricity across an inter-tie. Transmission rights may be purchased or sold notwithstanding that the purchaser or vendor is not offering to purchase or sell electricity across an inter-tie. They do, however, entitle a purchaser to a payment from the IESO in the event of congestion at the inter-tie.



Under the Electricity Act, the IESO is authorized to make and enforce the Market Rules which are necessary to perform its function and administer the IESO-controlled market. Under the Electricity Restructuring Act, proposed amendments to the IESO-administered market rules will be reviewed by the OEB, which may revoke the amendment and refer the matter back to the IESO for further consideration. Each market participant is obliged to follow the Market Rules in accordance with its participation agreement with the IESO and its OEB licence.

The IESO acts as a clearing house for the settlement of spot market transactions as well as designated physical bilateral contracts between IESO market participants and sends invoices to market participants. Credit risk in the settlement process is managed by IESO rules requiring all authorized market participants to satisfy requirements for creditworthiness, with all participants sharing the risk of loss on a market participant's payment default on a pro rata basis.

The IESO-administered physical electricity markets include real-time markets. The spot markets for energy and operating reserve are both part of the real-time markets that are administered by the IESO. The energy market deals with offers to sell and bids to purchase electricity. Operating reserve is generating capacity that can be called upon or demand that can be reduced on short notice by the IESO, for example, to replace scheduled electricity supply that

is unavailable as a result of contingencies such as unexpected outages of generating facilities, or deal with unanticipated increases in demand. The IESO establishes separate prices for the energy market and the operating reserve markets. The IESO jointly optimizes these two markets to produce dispatch instructions and prices intended to result in the most cost-effective overall solution for the market. The description below of how the IESO establishes the market clearing prices of electricity and operating reserve does not include adjustments that result from the interaction of the energy and the operating reserve markets. Furthermore, the following description is based upon the assumption that there are no constraints in the transmission system. If there are constraints in the transmission system, further adjustments are made to dispatch instructions and the compensation paid to generators.

In the energy market, offers to sell specified quantities of electricity at specified prices for each hour of a given day (the “dispatch day”) are made by generators in Ontario and elsewhere. Intermittent and small generation facilities may be designated as “non-dispatchable”, in which event they receive the market clearing price for all electricity generated by the facility, without the need to submit an offer to sell to the IESO. All other generators are “dispatchable” and are only dispatched if their offer is accepted.

Consumers may similarly submit bids that specify the maximum price that the consumer is willing to pay for electricity. Such consumers are considered to be “dispatchable”. If a consumer submits such a bid, when the price of electricity exceeds the price in its bid, the consumer must reduce its electricity usage based on dispatch instructions from the IESO. All other consumers are “non-dispatchable”. Non-dispatchable consumers do not submit bids and pay the hourly market clearing price for all electricity consumed by them, with the exception of those consumers who are prescribed to pay the regulated price.

Offers from generators and bids from consumers are provided to the IESO in advance of the dispatch day and may be changed within certain time limits. For each five-minute interval, the market clearing price is set by the price of the next available bid or offer that has been submitted to the IESO to meet the next MW of demand. This price can, therefore, be set by an offer submitted by a dispatchable generator or by a bid submitted by a dispatchable consumer. The IESO also establishes an hourly market clearing price, which is the arithmetic average of the five-minute interval market clearing prices during that hour. All dispatchable generators and dispatchable consumers whose offers or bids are accepted by the IESO receive or pay the five-minute interval market clearing price for electricity generated or consumed, based upon metered quantities. All non-dispatchable generators and non-dispatchable consumers receive or pay the hourly market clearing price for electricity generated or consumed by them based on metered quantities except for those generators that will receive, and those consumers that will pay, regulated rates.

The operating reserve markets establish market clearing prices that are paid to parties whose offers to provide operating reserve are accepted by the IESO. As mentioned above, these prices are affected by the interaction between the energy market and the operating reserve markets.

The IESO maintains the reliability of the transmission grid through ancillary services (operating reserve, reactive support/voltage control service, black start capability and automatic generation control) and must-run contracts for local reliability. Ancillary services other than operating reserve are purchased by the IESO through procurement markets. Must-run contracts for reliability can involve compensating a generator for staffing and keeping a unit in production mode as a support or contingency regardless of the market-clearing price on the spot market. The cost of providing these services is charged by the service provider to the IESO, which passes the expense on to consumers through uplift charges. The IESO arranges suppliers for these services through a competitive tendering process. Contracts are limited to terms of 18 months or less for contracted ancillary services and 12 months or less for must-run contracts. These suppliers receive compensation for costs for being available, out-of-pocket costs, opportunity costs when providing the service and any other compensation deemed fair by the appropriate regulatory authorities.

In its capacity as the independent electricity system operator, the IESO entered into operating agreements with transmission owners who continue to operate their systems, subject to IESO direction and regulation by the OEB. The IESO assesses transmission system constraints in its dispatch of energy and manages congestion and line losses using the established Market Rules. It also administers the grid connection requirements applicable to market participants connected to the transmission system and identifies any short-term adequacy and reliability requirements by conducting periodic assessments. In addition, the IESO advises the OEB and participates in OEB proceedings that consider new transmission investment proposals. Market participants are free to present transmission investment proposals to the OEB at any time, with or without a supporting assessment from the IESO. The cost of new transmission system investments will be included in a network service charge unless the OEB determines that there is an identifiable beneficiary who should pay.

The IESO also collects the transmission service charges designed to recover the transmission owners' OEB-approved revenue requirements and disburses these revenues to the transmission owners. Consumers of significant amounts of electricity can, individually or as a group, build their own generation facilities and thereby avoid paying certain transmission charges. In many circumstances, consumer-owned generation will also allow those consumers to avoid IESO uplift charges. This can give rise to the construction of new generation capacity that would not be economic if it were not for this avoidance of transmission charges and IESO uplift charges.

If the IESO determines prior to issuing dispatch instructions that market responses will not eliminate an under-generation condition, it can declare an emergency operating state to resolve the conditions. The IESO also has the authority to suspend the IESO-administered market if certain emergency circumstances exist or are imminent, such as a failure of the market system or a major blackout. The market cannot be suspended solely because the market price has reached the maximum market clearing price or some demand has been curtailed. Each market participant is required to file with the IESO its emergency plans to assist the IESO in dealing with an emergency operating state. The IESO will endeavour to restore market operations as soon as the conditions requiring suspension are resolved.

The OEB licenses the IESO, monitors its operations, reviews any amendments to the Market Rules and also issues directions to the IESO. The IESO's operating costs are recovered through OEB-approved fees which are levied on the market participants.

OEB's Licensing Process and Industry Codes

The OEB has developed licences for electricity generation, transmission, distribution, wholesale and retail. It has also developed several associated codes for retailing, transmission and distribution. On February 28, 2001, the OEB issued a generation licence to Bruce Power for Units 1 to 8 that will remain in force until February 27, 2019. The licence includes authorization to act as a wholesaler of electric power.

Expansion of Inter- Tie Capacity

To encourage the supply of electricity into Ontario from the interconnected markets, Hydro One, as a condition of its OEB licence, is obligated to use its best efforts to expand inter-tie capacity by approximately 2,000 MW within 36 months of Market Opening, subject to governmental and regulatory approvals and environmental assessments. Hydro One has been involved in various inter-tie expansion projects, including projects that would: (i) increase the available transfer capability with Michigan by 500 MW of import capacity and 1000 MW of export capacity and (ii) expand existing inter-tie capacity with Quebec, by 1,250 MW. The Michigan and Quebec inter-tie expansion projects have been delayed and it is not known if these expansions will take place. Hydro One has also been looking at a major new transmission line between northern Manitoba and Sudbury, Ontario.

Energy Regulation

The *OEB Act, 1998* (Ontario) authorizes the OEB to operate as an independent, quasi-judicial, regulatory agency of the Province and to regulate the electricity industry.

Nuclear Generation – Risk Factors

The following information, known to the Company, pertaining to the outlook and conditions applicable to Bruce Power, could have a material impact on its contribution to Cameco's financial results. This information, by its nature, is not all-inclusive. It is not a guarantee that other factors will not affect Bruce Power and, as a consequence, Cameco. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including Management's Discussion and Analysis. (Appendix "B")

Generation and Technology Risks

Bruce Power is exposed to the market impact of uncertain output from its nuclear units or generation risk. The amount of electricity generated by Bruce Power is affected by such risks as nuclear fuel supply, equipment malfunction, maintenance requirements, and regulatory and environmental constraints.

Bruce Power is exposed to considerable technology risk around the age of the Bruce units. Technology risks that could lead to significant impacts on the production capability or operating life of these assets are not fully predictable. Bruce Power attempts to identify those risks through on-going management review and assessments, internal audits and from experience of nuclear units around the world.

The occurrence of any these events associated with generation risk or technology risk could adversely impact Bruce Power's anticipated contribution to Cameco's financial results.

Nuclear Operations

Bruce Power is subject to extensive federal regulation with respect to its nuclear operations. Bruce Power's failure to comply with such regulation could have a material adverse effect on Bruce Power.

Risks of substantial liability, as well as the potential for significant increased costs of operations, arise from the management and operation of nuclear generating stations, including, among other things, from structural problems, increasing security requirements to cover factors such as physical security threats, equipment malfunctions, and the storage, handling and disposal of radioactive materials. Bruce Power has implemented risk management strategies, including through the safety systems which are a part of CANDU technology (see "*Candu Technology)*, but there can be no assurance that such risks can be minimized or eliminated. An accident at a nuclear installation anywhere in the world or other reasons could cause the CNSC to limit the operation or licensing of the Bruce nuclear generation stations. Any such accident could also have an impact on the future prospects for nuclear generation.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Bruce Power's nuclear facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of operations from Bruce Power's facilities, costs, monetary losses and potential legal liability and adverse governmental action.

OPG undertook a testing and inspection program to ascertain the physical condition of its nuclear generating stations. Under the OPG-Bruce Power Lease, Bruce Power has continued that program for the Bruce nuclear generating stations by contracting with OPG for the supply of steam generation, fuel channel and other inspection services (see "Operating Life Assessment"). As a result of this program, OPG identified equipment life cycle issues, such as steam generator tube corrosion, feeder pipe wall thinning and pressure tube/calandria tube contact. Cameco understands these conditions were anticipated in the design but that experience has shown that the rate of degradation is higher than anticipated. In addition, no nuclear generating station utilizing CANDU technology has yet completed a full life cycle. There can be no assurance that Bruce Power will not have to incur significant capital expenditures for repairs or replacements in addition to those currently contemplated. To address these issues, Bruce Power may need to increase preventative maintenance programs and allow for more outage time (a period when a nuclear reactor is not operating) than currently planned. Such additional repairs, replacements and longer outage times could have a material adverse effect on Bruce Power.

The occurrence of any of these events could adversely effect Bruce Power's expected contribution to Cameco's financial results.

Unplanned or Extended Outages

Bruce Power's anticipated contribution to Cameco's financial results in a given year could be significantly impacted if the amount of electricity generated is less than expected due to planned outages extending significantly beyond their scheduled periods or if there are one or more unplanned outages which, in aggregate, are for an extended period.

Government Regulation

Bruce Power's operations are subject to extensive government regulation that may change from time to time. Failure to comply with such law can subject Bruce Power to significant liabilities, including fines and other penalties, including the revocation of, or imposition of additional conditions for, its operating licences for its nuclear generation facilities. Matters that are subject to regulation include nuclear operations (including regulation pursuant to *Nuclear Safety and Control Act* (Canada), the NLA and the *Emergency Plans Act* (Ontario)), nuclear waste management and decommissioning and environmental matters including air emissions. Operations that are not currently regulated may become subject to regulation. Because legal requirements are frequently changed and are subject to interpretation, Bruce Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of Bruce Power's operations are regulated by government agencies that exercise discretionary powers conferred by statute. Because the scope of such authority is uncertain and may be inconsistently applied, Bruce Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Due to, among other things, inadequate safety margins, the CNSC has the power to limit

the output from or order the shutdown of one or more of the Bruce “A” and “B” units and to impose additional onerous licence conditions on Bruce Power. (see “Reactor Physics”.)

Nuclear Waste Management and Decommissioning

Bruce Power is subject to extensive federal regulation with respect to nuclear waste management. Failure to comply with such regulation could lead to prosecution and could subject Bruce Power to fines and other penalties, including the revocation of, or imposition of additional conditions for, its operating licences for its nuclear generation facilities. Any release of radioactive material beyond prescribed limits from property leased or occupied by Bruce Power could lead to governmental orders requiring investigation, control and/or remediation of such release and could also lead to claims from third parties for harm caused by such release. Bruce Power incurs substantial costs for nuclear waste management and changes in federal regulation could result in additional costs that could have a material adverse effect on Bruce Power.

The wet bays at Bruce “A” and “B” have limited capacity to store used nuclear fuel. As required by contract with Bruce Power, OPG has commenced the collection of used fuel bundles stored in the wet bays for transport to and storage at OPG’s dry storage facility at the Bruce site. OPG has title to all used nuclear fuel bundles in the wet bays. Failure of OPG to continue to provide collection services of adequate quality or in a timely manner or problems associated with the instation modifications to the Bruce “B” wet bays to support the loading of used nuclear fuel bundles into dry storage containers, could have a material adverse effect on Bruce Power.

The occurrence of any of these events could adversely effect Bruce Power’s expected contribution to Cameco’s financial results.

Restructuring of Ontario’s Electricity Industry

The government of Ontario retains the overall power to regulate and further restructure Ontario’s electricity industry. Ontario’s electricity market opened to competition May 1, 2002 with the introduction of competition in both the wholesale and retail markets in Ontario. However, the Ontario government in November 2002, March 2003, November 2003 and June 2004, as described in “Ontario Deregulation”, announced regulatory changes reversing, in part, its decision to deregulate the electricity market. The regulatory authorities responsible for the structuring, development and operation of the new Ontario electricity market, the IESO and OEB, and many of the incumbent participants in the Ontario market, including Bruce Power, have limited operating experience in a competitive electricity marketplace. Accordingly, it is possible that further changes in the structure of electricity industry may be necessitated based on the experience of regulatory authorities and market participants in the new competitive environment. These changes may be accomplished either through fundamental changes by the government of Ontario to the structure of the Ontario electricity industry, or through changes made by the IESO to the market rules. In addition, it is difficult to predict the effect of these changing market and regulatory conditions on Bruce Power’s business, results of operations, financial position or prospects.

In certain jurisdictions where the energy marketplace has been opened to competition, factors such as energy price volatility and episodes of supply shortages have prompted a re-examination of the market framework by governments, regulatory authorities and consumer groups. Examples are the November 2002 announcement by the Ontario government of the price cap of 4.3 cents per kilowatt-hour for certain participants in the retail electricity market, the subsequent announcement in November 2003 to change this price cap to 4.7 cents per kilowatt-hour and 5.5 cents per kilowatt-hour, depending on consumption and the most recent statutory changes in December 2004 which establish a hybrid market. Political, regulatory and consumer responses to the competitive wholesale and retail electricity markets in Ontario and the possible development of a trend toward re-regulation in the North American electricity industry, could have a material adverse effect on Bruce Power’s business, results of operations, financial position or prospects.

Spot Market Electricity Prices

A significant portion of Bruce Power’s revenue is tied, either directly or indirectly, to the spot market price for electricity in Ontario. The price of wholesale electricity may vary depending on, among other variables: the availability of generation and transmission systems, economic growth, economic slowdown, seasonal and weather-based variations in electricity demand, the plans and activities of other market participants, the evolution of newly deregulated electricity markets, regulatory decisions in Ontario and neighbouring jurisdictions (including deregulation), the exchange rate for the Canadian dollar and wholesale market trading rules, mechanisms for maintaining adequate generation reserves and the level of competition. Although Bruce Power engages in risk

management activities, including trading of electricity and related contracts, to mitigate these risks, there can be no assurance that these activities will be successful. Electricity prices have proven to be extremely volatile at certain times in certain markets.

Reliance Upon Single Contractors

Bruce Power is dependent upon OPG for certain nuclear support services, Cameco for U_3O_8 supply and UO_2 conversion services, and ZPI for fuel manufacturing services. Reliance by Bruce Power on a single contractor for each of these services is a supply security risk. Failure of any of these suppliers to provide services of adequate quality or in a timely manner, or, in the case of OPG, to agree to extend the term of short-term material service agreements, could have a material adverse effect on Bruce Power and, as a result, Bruce Power's expected contribution to Cameco's financial results.

Competition

Since Market Opening and the subsequent regulation of the retail electricity market, wholesale prices have been volatile. It is not clear what impact the recent changes brought about by the Electricity Restructuring Act, including the implementation of a hybrid electricity market model, will have on wholesale electricity prices. Cameco believes Bruce Power's ability to compete depends upon many factors within and outside its control. There can be no assurance that Bruce Power will be able to compete successfully or that competitive pressure will not have a material adverse effect on Bruce Power and, as result, Bruce Power's expected contribution to Cameco's financial results.

Reliance Upon Transmission Systems

Bruce Power's ability to sell electricity depends on the capacity and reliability of the Ontario electricity transmission system operated by Hydro One under the direction of the IESO and regulated by the OEB and the other North American electricity transmission systems that are connected to the Ontario electricity transmission system. Accordingly, the success of Bruce Power's business is dependent upon the functioning of interconnected electrical transmission systems in North America, Hydro One's operating performance and financial stability, as well as the provincial regulation of Ontario's electricity transmission system. The lack of adequate and reliable electricity transmission capacity would have a material adverse effect on Bruce Power and, as a result, Bruce Power's expected contribution to Cameco's financial results.

Effects of Weather

By the nature of its business, Bruce Power's earnings are sensitive to weather variations from time to time. Variations in winter weather affect the demand for electrical heating requirements. Variations in summer weather affect the demand for electrical cooling requirements.

Credit Risk

Credit risk is the risk of non-performance by contractual counterparties with respect to payment for services provided. A significant portion of Bruce Power's revenues are derived from sales through the IESO-administered spot market. Participants in the IESO spot market must meet IESO-mandated standards for creditworthiness with the result that Bruce Power's risk for these sales should be effectively managed. To the extent that the credit support provided by purchasers of power to the IESO is inadequate, all market participants, including Bruce Power, could be responsible for any shortfall in proportion to their market activity.

A significant portion of Bruce Power's revenues are derived from the sale of electricity under medium-term and long-term power purchase agreements. As a result, Bruce Power is exposed to credit risk. The purchasers and Bruce Power under such agreements must meet certain standards for creditworthiness and, in certain circumstances, must supply financial assurances as security for non-performance. The requirement of purchasers to provide financial assurances should result in Bruce Power's credit risk for these sales being effectively managed. To the extent that financial assurances provided by such purchasers is inadequate, Bruce Power is subject to credit risk, the occurrence of which could have a material adverse impact on Bruce Power's expected contribution to Cameco's financial results. Bruce Power is likewise obligated, in certain circumstances, to provide financial assurances to such purchasers. Depending on the circumstances, this may burden the credit capacity of Bruce Power and Cameco. Cameco has committed to provide a certain amount of financial assurances to Bruce Power. (see "Overview — *2003 Acquisition*").

Cash Distributions by Bruce Power

Cameco indirectly owns a 31.6% of limited partnership interest in Bruce Power. As a result, it does not have control over the declaration and payment of cash distributions by Bruce Power.

CENTERRA GOLD INC.

Centerra

Cameco indirectly owns 52.7% of Centerra, a company listed and publicly traded on the Toronto Stock Exchange. Centerra is focused on acquiring, exploring, developing and operating gold properties primarily in Central Asia, the former Soviet Union and other emerging markets. Centerra is the largest western-based gold producer in Central Asia and the former Soviet Union. Centerra subsidiaries operate two producing mines: the Kumtor mine in the Kyrgyz Republic, in which it has a 100% interest, and the Boroo mine in Mongolia, in which it has a 95% interest. It also has interests in exploration properties, including a 100% interest in the Gatsuurt exploration property in Mongolia, located 35 kilometres from the Boroo mine, and a 62% interest in the REN exploration property in Nevada.

The Kumtor and Boroo mines are both expected to be depleted by 2010, based upon the current life of mine plans. In 2004, the Kumtor mine produced about 657,000 ounces of gold at a total cash cost of approximately $202 (US) per ounce and the Boroo mine produced about 218,000 ounces of gold (excluding 28,000 ounces of gold produced during the commissioning period from January 1 to February 29, 2004) at a total cash cost of approximately $149 (US) per ounce.

Detailed estimates of gold reserves and resources are reported at “Centerra Gold Inc.-Reserves and Resources”. As at December 31, 2004, Cameco’s interest:

- in the reserves at Kumtor and Boroo mines amounted to total proven and probable reserves of 2,297,000 ounces of gold; and
- in the resources at Kumtor and Boroo mines and Gatsuurt and Ren exploration properties, amounted to 1,833,000 ounces of gold in measured and indicated resources and 1,109,000 ounces of gold in inferred resources.

Centerra does not have any third party debt. Its gold production is completely unhedged, with all forward sales agreements closed as of September 30, 2004. Approximately $8 million (US) of earnings as deferred charges, net of deferred revenue, related to closing out gold hedges, will be recognized by Centerra in 2004 through 2007. As Centerra’s financial statements are consolidated with Cameco’s, Cameco will also recognize these deferred charges in revenue and then reduce them for minority interest (which is an allocation to reflect the ownership interest of other Centerra shareholders).

Centerra’s exploration expenditures in 2004 were $15 million (US). Centerra expects to spend $22 million (US) on exploration in 2005.

Despite Kumtor being owned and operated by Centerra through its wholly owned subsidiaries, under Canadian securities law, it is considered a material gold mining property for Cameco. Cameco has no other material gold mining properties.

Kumtor Restructuring

On June 22, 2004, Cameco completed the Kumtor restructuring. Prior to the Kumtor restructuring, Cameco held a one-third interest in the Kumtor mine, located in the Kyrgyz Republic. Kyrgyzaltyn, a Kyrgyz joint stock company whose shares are 100% owned by the government of the Kyrgyz Republic, held the remaining two-thirds interest. As part of the Kumtor restructuring, Cameco transferred its one-third ownership interest in the Kumtor mine and substantially all of Cameco’s other gold assets to Centerra, including its 53% interest in the Boroo mine in Mongolia held through its 56% ownership interest in AGR, in exchange for common shares of Centerra and assumption of certain liabilities by Centerra. In addition, Kyrgyzaltyn transferred its two-thirds interest in Kumtor to Centerra in exchange for common shares of Centerra, cash and certain outstanding debt.

On June 30, 2004, Centerra completed an initial public and secondary offering of its common shares and began trading on the Toronto Stock Exchange. At that time, Centerra also acquired over 99% of the shares held by the minority shareholders of AGR in exchange for common shares of Centerra. Under the corporate law that applies to AGR, AGR subsequently redeemed all of its outstanding shares, other than the shares held by Centerra, bringing Centerra's interest in AGR to 100%. Following these transactions, Centerra has a 100% interest in the Kumtor mine and a 95% interest in the Boroo mine.

Kumtor Mine

The Kumtor gold mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a western-based producer. It has been in operation since 1997. During the eight-year period from 1997 to 2004, the Kumtor mine produced 5.0 million ounces of gold from the Kumtor open pit at a total cash cost of approximately $181 (US) per ounce.

Doing Business in the Kyrgyz Republic

The Kyrgyz Republic is a landlocked and mountainous country located in the middle of the Asian continent. It borders Kazakhstan in the north, the People's Republic of China in the east, Tajikistan in the south and Uzbekistan in the west. It is the smallest of the Central Asian nations and has a population of approximately five million people. The Kyrgyz economy is predominantly agricultural, with two thirds of the country's population living in rural areas. The country contains deposits of gold and rare earth metals.

Government and Political Factors

The Kyrgyz Republic is a former constituent republic of the Soviet Union. The country declared its independence from the Soviet Union in 1991 and became a member of the CIS. The national currency of the Kyrgyz Republic, the Som, is freely convertible into United States dollars within the Kyrgyz Republic at a floating exchange rate and has remained relatively stable over the last four years. The Kumtor mine is the largest private sector employer of Kyrgyz citizens and is the largest foreign investment in the country.

Relevant Kyrgyz Law and the Investment Agreement with the Government of the Kyrgyz Republic

Prior to the Kumtor restructuring, the operations of the Kumtor mine and its property holdings were governed by a Master Agreement entered into in 1992 between Cameco, the government of the Kyrgyz Republic and Kyrgyzaltyn (the "Master Agreement") and related agreements. These agreements established the applicable rules and regulations with respect to the exploitation of the Kumtor property, including the tenure of mineral and surface rights, operating obligations, applicable taxes, employment of Kyrgyz citizens and the import and export of funds, materials and gold produced from the Kumtor mine. Other laws and regulations of general application in the Kyrgyz Republic also applied to the operation of the Kumtor mine, except to the extent they conflicted with these agreements.

As part of the Kumtor restructuring, Centerra, Cameco, Kyrgyzaltyn and the government of the Kyrgyz Republic entered into an agreement pursuant to which, effective simultaneously with the completion of the Kumtor restructuring, the Master Agreement was replaced by an Investment Agreement (the "Investment Agreement") between Centerra, Kumtor Gold Company ("KGC") and the government of the Kyrgyz Republic. This new Investment Agreement and related agreements set out the terms and conditions applicable to Centerra's ongoing operation and development of the Kumtor mine and have continued the regime established by the Master Agreement. The Investment Agreement has a term lasting until the earlier of 2043 or when the Kumtor deposits are exhausted and mining is completed.

The Investment Agreement also specifies that Centerra will be subject to only those Kyrgyz tax laws and regulations that existed as of December 31, 2003. This includes a profit tax of 20%, a withholding tax on dividends and interest of 10% and an emergency fund tax of 1.5% of the value of products sold.

Pursuant to the Investment Agreement, Centerra has the right to elect whether to be subject to any change in tax laws or regulations that modifies the amount or timing of tax or the manner in which tax liability is determined or calculated (whether or not the tax change increases or decreases Centerra's liability) or instead remain subject to the tax in effect prior to the change for a term of 10 years from the date of the change. However, if a change in tax laws eliminates any specified tax in its entirety (as opposed to merely reducing a specified tax), Centerra will remain subject to that tax as it existed prior to its elimination.

The Investment Agreement provides Centerra with guarantees against expropriation and rights to non-discrimination. It also stipulates that Centerra is entitled to all necessary permits and approvals relating to the Kumtor mine, including with respect to environmental matters and hiring of foreign nationals.

Centerra has the right to import any capital equipment and operating supplies, subject to import duties and administrative charges, but free of other charges and without unreasonable formalities that might hinder or delay such imports. Centerra also has the right to export any of its products, including processed or unprocessed minerals of any type, free of export duty and other charges and without unreasonable formalities that delay or hinder such exports.

The agreements Centerra has entered into in connection with the Kumtor restructuring were also designed to preserve and extend the benefits which the Kumtor mine has brought to the Kyrgyz Republic. Under the Investment Agreement Centerra has committed to continue to conduct its operations in accordance with good international mining practices, in material compliance with the standards applicable under the Environmental Management Action Plan ("EMAP") for the Kumtor mine, which include operation in material compliance with federal Canadian, Saskatchewan and World bank environmental, health and safety laws, regulations, policies and guidelines in effect as of June 15, 1995 and all laws currently applicable to the Kumtor mine, including the laws of the Kyrgyz Republic.

Property, Location, Concession and Mine Site

The Kumtor mine is located in the Tien Shan Mountains, some 350 kilometres to the southeast of the national capital Bishkek and about 60 kilometres to the north of the international boundary with the People's Republic of China.

Pursuant to an Amended and Restated Concession Agreement (the "Concession Agreement") between KGC (which as part of the Kumtor restructuring became a wholly-owned subsidiary of Centerra) and the government of the Kyrgyz Republic that became effective on the closing of the Kumtor restructuring, Centerra has the exclusive rights to all minerals within an area of approximately 800 hectares of land centred on the Kumtor gold deposits. Its mineral and surface rights for the Kumtor deposit extend until May 10, 2043.

The Concession Agreement confirms Centerra's right to use sufficient additional surface lands for the purposes of the construction and occupation of all mining and milling superstructure and facilities, work camp and other infrastructure facilities necessary to carry out the Kumtor mine.

KGC must make a concession payment of $4 (US) for each ounce of gold sold from the Kumtor deposit, with such payments to be made quarterly within 90 days of the end of each calendar quarter based on that quarter's gold sales by KGC. In addition, KGC must pay 2% of its net profits into a social development fund until its subordinated and shareholder loans outstanding as of December 31, 2003 are repaid and thereafter, until the end of the Kumtor operations, 4% of its net profits.

KGC was also granted the exclusive right to develop any mineral resources within a 7.5 kilometre radius from the perimeter of the Concession Area, an area covering approximately 30,625 hectares (the "Exploration Area"). This right is continued by the Investment Agreement. The Government of the Kyrgyz Republic has also agreed to grant Centerra any necessary mining concessions for the Exploration Area on substantially the same terms and conditions as for the Concession Area. In 2005, Centerra expects to receive concessions for the Southwest Zone and other targets in the Exploration Area. A concession is necessary in order for Centerra to implement its plans to commence open pit mining at satellite gold deposit located at the Southwest Zone.

The Kumtor site includes an open pit mine situated at approximately 4,000 metres above sea level. The mine includes waste and ore stockpile areas as well as an area to dispose of the ice stripped from the top of the deposit. Ore is processed at a crusher and mill. Other major facilities include a fresh water system, a camp/residence for the employees on site, a warehouse, shops, offices, a batch plant, two standby diesel generators and a tailings management facility.

The tailings management facility is located in the Kumtor River valley and consists of twin tailings lines, a tailings dam, an effluent treatment plant and two diversion ditches around the area to prevent runoff and natural watercourses from entering the tailings basin. These facilities received approval from the government of the Kyrgyz Republic during 1999. Each tailings pipeline is approximately six kilometres in length. The tailings dam was designed and constructed to address the permafrost conditions at the mine site. The dam is approximately two

kilometres in length and up to 25 metres in height. The tailings dam has been designed to accommodate projected requirements for tailings storage for the life of the mine and can be expanded if necessary due to additional mine production. In 2004, Centerra spent approximately $1.6 million (US) for the expansion of the tailings dam.

Centerra identified an ice-rich silt layer beneath the tailings dam that has been the cause of some minor movement of the tailings dam. In 2003, in order to proactively deal with the issue, a shear key was constructed for 700 metres along the toes of the dam by excavating a trench approximately six metres deep and 20 metres wide and filling it with well-compacted granular fill. A five-metre berm of well-compacted granular fill was then constructed over the shear key. The shear key is designed to interrupt and replace an ice-rich silt layer along the downstream dam toe within the area of measured movement, with a high-strength stiff granular fill of sufficient width that the mobilized strength of the fill will eventually stop the movement.

All material permits and licenses required for the current mining operations at Kumtor are in good standing.

Site accessibility, infrastructure and physiography

Access to the Kumtor mine site is by main road from Bishkek to Balykchy, on the western shore of Lake Issyk-Kul, a distance of 178 kilometres, then on a secondary road along the south shore of the lake to the town of Barskaun for another 150 kilometres and a final 100 kilometres into the Tien-Shan Mountains to reach the deposit. Considerable work has been performed to maintain this access road and despite occasional avalanches and movements of gravel and till down steep slopes during heavy rains, there has not been any extended period during which the road has been out of service.

The Kumtor mill is situated in alpine terrain at an elevation of approximately 4,018 metres, while the highest waste and glacier mining excavations exceed an elevation of 4,400 metres. The main camp, administration and maintenance facilities are at about 3,600 metres. Local valleys are occupied by active glaciers that extend down to elevations of 3,800 to 3,900 metres and permafrost in the area can reach a depth of 250 metres. The area is seismically active, as a result of the continuing convergence of India and Eurasia, but the Kumtor area has a relatively sparse distribution of historical seismicity. All facilities at Kumtor, including the process plant and tailings storage dam, have been designed in accordance with recommended seismic standards for the area.

The climate is continental with a mean annual temperature of minus eight degrees Celsius. Extreme recorded temperatures vary from plus 23 to minus 49 degrees Celsius, with short summers that last from June to September. Precipitation is low at 300 millimetres per annum, with the majority falling in the summer months, and annual snow accumulation of 600 millimetres. Despite cold winter conditions, Kumtor is a 365 day-per-year operation. Reflecting the harsh climate and high elevation, sparse, low vegetation is restricted to the valley floors and lower mountain slopes, with a total absence of trees or shrubs.

The mine site is connected to the Kyrgyz national power grid with a 110 kilovolt overhead power line running parallel to the access road. Fresh water is taken from Petrov Lake, situated five kilometres northeast of the mill site. The minimum water inflow into the lake is estimated to be in excess of 1,000 cubic metres per hour or approximately four times the average project demand.

History and Financing

The Kumtor area has a history of intermittent exploration dating to the late 1920s. The Kumtor deposit was discovered in the summer of 1978 in the course of a general survey. Intensive exploration, adit sampling, drilling and geological interpretation work took place between 1979 and 1989, culminating in an initial reserve statement issued by the USSR State Committee on Reserves in March 1990.

Cameco was presented the opportunity to become involved with the Kumtor project in 1992 while pursuing uranium prospects in the Kyrgyz Republic. An initial agreement with the government of the Kyrgyz Republic was signed in December 1992 giving Cameco the exclusive right to evaluate and develop the Kumtor project. A project development agreement was finalized with the government of the Kyrgyz Republic in May 1994. Pursuant to this agreement, a Cameco subsidiary held an indirect one-third interest in KGC, a Kyrgyz joint stock company that owns the concession giving it exclusive rights to develop the Kumtor mine. Kyrgyzaltyn, a Kyrgyz joint stock company wholly-owned by the government of the Kyrgyz Republic, held the remaining two-thirds interest. Another Cameco subsidiary, Kumtor Operating Company (“KOC”), acted as operator of the joint venture for which it received a management fee.

Project construction began in late 1994 and was financed by Cameco and an international group of banks and lending agencies at a cost of $452 million (US), which amount has been repaid.

Geology and Mineralization

The Kumtor gold deposit occurs in the southern Tien Shan metallogenic belt, a Hercynian fault and thrust belt that traverses Central Asia from Uzbekistan in the west through Tajikistan and the Kyrgyz Republic into northwestern China, a distance of more than 1,500 kilometres.

There are four major thrust slices comprising the mine geology, with an inverted age relationship. Each thrust sheet contains older rocks than the sheet it structurally overlies. The slice hosting the Kumtor gold mineralization is composed of Vendian (youngest Proterozoic or oldest Paleozoic) meta-sediments, grey carbonaceous quartz-sericite-chlorite schists or phyllites that are strongly folded and schistose. The fault forming the footwall contact of this structural segment is the Kumtor Fault Zone, a dark-grey to black, graphitic gouge zone. The fault zone strikes northeasterly, dips to the southeast at moderate angles and has a width of up to 30 metres. The adjacent rocks in its hanging wall are strongly affected by shearing and faulting for a distance of up to several hundred metres. The rocks in the structural footwall of the fault zone are Cambro-Ordovician limestone and phyllite, thrust over Tertiary sediments of possible continental derivation that in turn rest, with apparent profound unconformity, on Carboniferous clastic sediments.

The Kumtor gold deposit is structurally controlled on a major fault of regional importance and is a member of the class of structurally controlled mesothermal gold replacement deposits. The Kumtor gold deposit occurs where the Vendian sediments have been hydrothermally altered and mineralized based on structural considerations. Gold mineralization has been observed over a distance of more than 12 kilometres, with the Kumtor deposit itself located in what is called the Centre Block, with a length of 1,200 metres, a vertical range of 1,000 metres and a width of 300 to 500 metres. A buried intrusive body is inferred by geophysical methods to occur some five kilometres to the northwest of the deposit and may be the source of the mineralization process at Kumtor.

Within the Kumtor deposit, four zones of gold mineralization have been delineated:

- Two parallel zones of alteration and gold mineralization strike north-easterly and dip to the southeast at 45° to 60°, separated by 30 to 50 metres of barren or poorly mineralized rock. The South Zone, with a length of 500 to 800 metres, is reasonably well mineralized throughout its entire length, with an average gold grade of 3 to 4 grams per tonnes. The North Zone, somewhat more extensive along strike but with a similar width, has lesser gold grade continuity and splits into a number of individual lenses that have average gold grades in the range of 2 to 3.5 grams per tonne;

- At their north-eastern end, the North and South Zones coalesce into the Stockwork Zone, which is the heart of the deposit, having the highest gold grades and the best grade continuity. Its dimensions in plan are 400 to 500 metres long by 50 to 200 metres wide, with an average gold grade of 5 to 6 grams per tonne, depending on the cut-off grade. Geographically, the Stockwork Zone is located closest to the pit highwall and thus governs to a large extent the overall strip ratio of the pit design; and

- A small zone of mineralization to the northeast of the Stockwork Zone called the Northeast Zone, possibly the continuation of the North Zone in that direction, shows variable gold grades of 2 to 5 grams per tonne.

Mineralization took place in four main pulses. An initial pulse resulted primarily in pervasive quartz-carbonate-albite-chlorite-sericite-pyrite alteration, with little gold of economic consequence being deposited. The next two pulses deposited all of economic significant gold at Kumtor. Feldspar makes up nearly 20% of the ore, carbonates (calcite, dolomite, ankerite and siderite) collectively 25 to 30%, pyrite 15 to 20%, quartz 5 to 10% and the remainder are host rock inclusions.

The gold and the gold-bearing minerals occur as very fine inclusions in the pyrite, with an average size of only 10 microns. This, together with the poor cyanide leach response of the gold tellurides, accounts for the partly refractory nature of the Kumtor ore. The refractory characteristics are reflected in the relatively low historic and forecasted gold recovery of around 80%, despite the very fine grind applied to the pyrite flotation concentrate from which most of the gold at Kumtor is recovered by leaching. The fine grain size of the gold also renders assaying of this mineralization relatively reliable, with only a small nugget effect.

Most of the mineralization takes the form of veins, veinlets and breccia bodies in which the mineralization form the matrix. In the more intensely mineralized areas, the surrounding host rock has also been altered. Post-ore faulting is generally parallel to, or at low angles with, the mineralized sequence. These faults often carry significant quantities of graphite, which resulted in a change in milling procedures early in the mine's life to maintain acceptable recoveries.

A similar system of mineralization has been delineated at the Southwest Zone, a satellite deposit located about 2.5 kilometres from the Kumtor mill. At the Southwest Zone, shallow dipping mineralization extends intermittently over a distance of 800 metres along strike and to depths of more than 200 metres with average gold grades estimated in the range of 3 to 4 grams per tonne.

Historical Exploration, Sampling and Drilling

From 1979 to 1989, a systematic evaluation of the Kumtor deposit was carried out by the state Kyrgyz Geology department consisting of:

- The delineation of the surface extent of the mineralization by 60 trenches;
- The exploration of the upper portion of the deposit by 290 underground drifts and crosscuts developed on three levels and totalling 30 kilometres of workings;
- Testing of the lower portion of the deposit by 114 inclined and vertical diamond drill holes from the surface and 32 horizontal diamond drill holes from underground for a total of approximately 77,000 metres of drilling; and
- The assembly of a sampling database containing 69,775 samples collected from trenches, underground workings and drill cores. Three bulk samples weighing 9 tonnes, 20 tonnes and 464 tonnes were processed for metallurgical test work.

Late in 1992, Kilborn Western Ltd. (presently SNC-Lavalin Inc.) was commissioned to prepare a feasibility study to evaluate and develop the Kumtor deposit. In addition to the work completed prior to the feasibility study in 1994, in the interval from 1998 to 2004, KOC has completed 232 diamond drill holes having an aggregate length of 67,184 metres in the area of the Kumtor deposit itself and an additional 216 diamond drill holes over an aggregate length of 37,507 metres in exploration areas surrounding the Kumtor deposit. Exploration expenditures at Kumtor were $7.1 million (US) during 2004.

Cameco believes that Centerra has developed and implemented procedures for quality control, data verification and security of sampling that will assure the integrity of information resulting from drilling activities at the Kumtor mine.

Mining

Kumtor has approximately 1,600 permanent employees, of which approximately 95% are Kyrgyz citizens. The Kumtor deposit is mined using conventional open pit mining methods and in 2004 produced approximately 15,000 tonnes per day of ore and approximately 220,000 tonnes per day of waste.

Initially, part of the orebody was overlaid by a glacial icecap 10 to 30 metres thick. The majority of this icecap was removed during the first three years of operation. Now mining is focused on ore extraction and removal of the surrounding waste rock. Operations began at the 4,290 metre elevation in 1996. Presently, mining is conducted between the 4,100 and 3,906 metre elevations.

Milling

The milling process at the Kumtor mill reflects the fine-grained nature of the gold and its intimate association with pyrite and consists of crushing, grinding, pyrite flotation and re-grinding the flotation concentrate. Two separate carbon-in-leach ("CIL") circuits recover the gold from the re-ground concentrate and from the flotation tails, with final gold recovery accomplished by electrowinning and refining. The mill was originally designed with a capacity to process 4.8 million tonnes of ore per year, but the actual mill throughput is currently 5.5 million tonnes per year. Historically, the metallurgical recovery has averaged about 80%.

Production History

The Kumtor mill started processing ore in the third quarter of 1996, leading to commercial production in the second quarter of 1997. Through December 31, 2004, a total of 42.4 million tonnes of ore has been milled with an average gold content of 4.6 grams per tonne. The total gold recovered through December 31, 2004 was 5.0 million ounces. In addition, 378 million tonnes of waste and 2.6 million tonnes of ice had been mined for an overall strip ratio of 8.5 to 1.

Highwall Ground Movement

The current pit design is a response to the July 8, 2002 pit wall failure at the Kumtor mine, also known as the “highwall ground movement”, which resulted in the temporary suspension of operations. While some ground movement is common, this was a very significant and unexpected movement which affected the pit wall over a vertical distance of 280 metres and caused one fatality. Although mine production resumed seven days later in an area away from the pit wall failure, the highwall ground movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible to mining. As at December 31, 2004, the entire area affected by the highwall ground movement has been mined out.

Following the highwall ground movement, Centerra’s geotechnical consultant assessed the potential explanations for the pit wall failure and provided guidance with respect to remedial and long-term pit shape design criteria that would reduce the possibility of a recurrence. A detailed surface mapping program and geotechnical drilling program was designed and initiated to provide further information on the cause of the highwall ground movement. The evaluation of the data resulting from the additional investigation programs has led to a revision of the geological model in the area of the northeast wall and reformulated slope design criteria for the final pit. The revisions in the geological model centred on a zone of highly tectonized rock located in the northeast wall, immediately adjacent to the main Stockwork Zone. This zone of very weak rock, combined with the steep backscarp structure, which also approximately parallels the ore boundary fault, was the main cause of the failure.

The integration of the revised geology into the slope design process has allowed Centerra to develop a revised mining plan based on the geotechnical consultant’s recommendations which provides for greater pit wall stability.

Southeast Wall Movement

In February 2004 some movement in the southeast wall of the Kumtor open pit was detected by the monitoring system. A crack was also discovered at the crest of the wall. The affected area of the southeast wall extends over a face length of 300 metres and a wall height of about 200 metres. The movement started in mid-February during the mining of the 4,034-metre bench and accelerated with subsequent mining of the 4,026 and 4,018-metre benches. Once mining of the 4,018-metre bench was stopped, the rate of movement recorded decreased. The southeast overall highwall slope angle is being lowered from 45 degrees to 42 degrees in the current pushback in this area of the open pit. The southeast wall area is being closely monitored until either the movement ceases or careful mining has unloaded the slope, resulting in minimal continuing ground movement.

Gold Sales

All gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the government of the Kyrgyz Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the price of gold on the London Bullion Market one business day after the day on which KOC provides notice that a consignment is available for purchase. If Kyrgyzaltyn does not purchase any gold produced, the Investment Agreement provides that KGC may export and sell the gold outside of the Kyrgyz Republic without restriction. All gold produced by the mine to date has been purchased by Kyrgyzaltyn pursuant to these pricing mechanisms.

Kyrgyzaltyn Management Fee

In connection with the Kumtor restructuring, KOC entered into an amended and restated agreement with Kyrgyzaltyn for its participation in the operation of the Kumtor gold project (the “Management Services Agreement”). This agreement came into effect together with the Investment Agreement on closing of the Kumtor restructuring.

The Management Services Agreement provides for payment of a management fee to Kyrgyzaltyn in return for its continuing assistance in the management of the Kumtor operations. Kyrgyzaltyn received an initial payment of $1 million (US) and will receive subsequent payments calculated on the basis of $1.50 (US) per ounce of gold sold. The total amount of such subsequent payments is expected to be less that $1 million (US) annually.

Environmental, Health and Safety Matters

Centerra's operations at the Kumtor mine are subject to environmental requirements arising from the legislation and other legal requirements applicable in the Kyrgyz Republic, supplemented by contractual commitments to conduct operations in accordance with good international mining practice and in material compliance with the standards applicable under the EMAP for the Kumtor mine, which includes operation in material compliance with the federal Canadian, Saskatchewan and World Bank environmental, health and safety laws, regulations, policies and guidelines.

A number of other certificates, permits and licences are required by various departments of the government of the Kyrgyz Republic with respect to the use of potentially toxic chemicals, transportation of dangerous goods, importing of blasting materials and sodium cyanide and water usage.

Decommissioning and Reclamation

Upon the completion of mining and milling at Kumtor (subject to extending Centerra's rights to mine other areas as provided under the Concession Agreement), all immovable infrastructure will become the property of the government of the Kyrgyz Republic. This includes the roads, buildings, mill, accommodations and any other related facilities but does not include operating machinery.

In 1999, the future decommissioning and reclamation costs for the Kumtor mine were estimated to be approximately $20.4 million (US). Any realized salvage value from the sale of plant machinery and equipment and other moveable assets after mining operations have ceased would be available to be applied against final reclamation costs, together with funds from the reclamation of working capital. In 1996, a reclamation trust fund was established for the future costs of reclamation, net of estimated salvage values of $14.9 million US). In order to fund this amount, contributions are made to the fund over the life of the mine based on ounces sold. At December 31, 2004, the balance in the fund was $4.1 million (US), with the remaining $1.4 million (US) to be contributed over the remaining life of the mine.

Kumtor Resource and Reserve Estimates

The mineral reserve and resource estimates for Kumtor are found at "Centerra Gold Inc.-Reserves and Resources". The key assumptions, parameters and methods used in making these estimates are:

1. Key Assumptions

    - the reserves reported include allowances for dilution and mining recovery;
    - designs of current ultimate pits are based upon $375 (US) per ounce of gold.

2. Key Parameters

    - gold values were obtained from assaying of surface trenches and underground working samples as well as from drill hole cores;
    - capping of high grade samples was established at levels ranging from 20 to 60 grams gold per tonne;
    - density was measured on 200 samples and ranged from 2.51 to 3.23 tonnes per cubic metre. An average density of 2.85 tonnes per cubic metre is used for waste and mineralized rocks;
    - a lowering of a portion the Kumtor pit southeast wall to 42 degrees to increase wall stability;
    - metallurgical recoveries used in the pit optimization follow a variable recovery equation and range from 83% for ore with a grade in excess of 5 grams per tonne, 80% for ore averaging a grade of 3.0 grams per tonne and 72% for low grade ore (averaging 1.3 grams per tonne) and refractory stockpiles;

- reserves at the Kumtor mine are not only based on grades but also on the volume and location;
- for the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, reserves within the current ultimate pit designs for Kumtor and the Southwest Zone were calculated with a cutoff grade based on a gold price of $375 (US) per ounce; and
- for the purpose of estimating reserves in accordance with United States Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, reserves within the current ultimate pit designs for Kumtor and the Southwest Zone were calculated with a cutoff grade based on a gold price of $350 (US) per ounce. At this lower gold price, on a 100% basis, reserves decrease by 1,772,000 tonnes of ore (4%) and 109, 000 ounces of contained gold (3%); and

3. Key Methods

- the geological interpretation of the ore bodies outlines was done on vertical sections 40 metres apart and on planviews;
- a three-dimensional block model delineates the reserves and resources;
- estimates of the grade of blocks 10 metres x 10 metres x 8 metres were obtained by ordinary kriging; and
- reserves are defined as the economically mineable part of the indicated and measured resources. Only reserves have demonstrated economic viability. The amount of reported resources does not include amounts identified as reserves.

Although Cameco believes Kumtor reserve and resource estimates are unlikely to be materially affected by external factors, such as metallurgical, safety and environmental, permitting, legal, title, taxation and political issues, there can be no assurance that they will not be. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drillings, testing and production, as well as a material change in the gold price, subsequent to the date of the estimate, may justify revisions of such estimates.

Boroo Mine

The Boroo open pit gold mine, located in Mongolia, is the first significant foreign investment in Mongolia for industrial development since 1979. The capital cost of the project was $75 million (US) including capitalized costs during the pre-production phase. The Boroo mill began the commissioning phase in November 2003 and the mine was brought into commercial production on March 1, 2004. For the year ended December 31, 2004, the Boroo mine produced about 218,000 ounces of gold (excluding 28,000 ounces of gold produced during the commissioning period from January 1 to February 29, 2004) at a total cash cost of approximately $149 (US) per ounce. The mineral reserve and resource estimates for Boroo are found at "Centerra Gold Inc.-Reserves and Resources".

Boroo has approximately 500 employees. The proportion of Mongolian citizens in the permanent workforce is approximately 90% and substantial training programs have been implemented to further the capabilities of those employees in their current placements and to prepare them for career advancement.

Stability Agreement

A Centerra subsidiary, Boroo Gold Company ("BGC"), entered into a stability agreement (the "Stability Agreement") with the Mongolian government in 1998. This agreement, which was amended in 2000 and expires in 2013, relates to BGC's operations at the Boroo gold deposit. Among other things, the Stability Agreement required BGC to invest a minimum of $25 million (US) in development of the site, a condition which has been already met. In return, the Mongolian government guaranteed that Mongolian tax laws in effect in 1998 (when the Stability Agreement was signed) will apply to BGC's income from the project, unless more favourable laws take effect and the Minister of Finance confirms that the more favourable laws apply.

The Stability Agreement also provides that BGC will be exempt from all income taxes for a period of three years following commencement of production and will be entitled to 50% tax relief for the subsequent three year period.

Following the expiry of this period, the maximum applicable rates will be revised to equal 15% of taxable income up to 100 million tugriks and 30% of taxable income above this amount.

Because the Stability Agreement does not relate to the Gatsuurt property, it will be necessary to negotiate similar arrangements with the Mongolian government before development can be commenced at Gatsuurt.

Property Description and Location

The Boroo gold project is located in the Republic of Mongolia some 110 kilometres northwest of the capital city of Ulaanbaatar and about 230 kilometres to the south of the international boundary with Russia.

The Mineral Resources Authority of Mongolia has granted BGC the exclusive right to all hard-rock minerals and placer deposits under a number of contiguous mining licences centred on and surrounding the Boroo gold deposit. The licences expire between 2055 and 2064.

Surface rights have been obtained, providing sufficient surface area for the mill and for tailings and waste rock disposal. Contracts are in place for the operation of the permanent camp, reagent storage, mining of aggregate materials, fuel storage, operation of a fuel dispensing station and the tailings dam. BGC must pay a 2.5% royalty on gold and silver sales to the Mongolian government as well as a 50% net profit royalty to Altai Trading Company Limited (which indirectly owns the other 5% equity interest in BGC) in respect of gold production from alluvial operations on the licence covering the Ikh Dashir deposit. During 2005, BGC intends to initiate mining of this deposit in connection with pre-stripping one of the zones of the Boroo deposit.

The Boroo mine site includes an open pit mine with waste and ore stockpile areas. Ore is processed at a crusher and mill with a capacity of 5,000 tonnes per day. There is a camp/residence for employees, a warehouse, maintenance shops and offices.

A permanent tailings facility in the Ikh Dashir River valley is connected to the process plant by a five-kilometre pipeline. The tailings storage facility is designed for no discharge, with all of the water being reclaimed for re-use in the mill. The facility received government approval in 2003.

Mining

The Boroo mining operations are based on conventional open-pit methods to mine 5,000 tonnes of ore per day. Mining commenced in November 2003 with the initial ore for processing coming from Zone 2 while the waste removal program for the higher-grade Zone 5 was in progress. Over the mine life, ore will be mined from four different pits. Mining is done with bench heights of five metres, with ore mined on half-benches for improved grade control in the flat lying ore. Waste tonnage is initially higher than indicated by the life of mine strip ratio of 3.9 and will incrementally decrease from 30,000 tonnes per day in 2004 over the mine life.

Milling

The mill is a standard layout that consists of crushing, grinding, gravity concentration, cyanide leaching and gold recovery in a carbon-in-pulp circuit.

The mill was designed with a capacity to process 1.8 million tonnes of ore per year (5,000 tonnes per day) and has consistently exceeded design throughput levels. The gravity circuit has, to the end of December 2004, recovered 20% to 40% of the gold contained in ore and the overall gold recovery has been about 94% in accordance with the expectations based on the metallurgical testwork.

Gold Sales

All gold doré produced by the Boroo mine is currently exported and refined under a contract with Johnson Matthey plc and its Canadian affiliated company (collectively, “JM”). The gold is delivered to JM at the minesite and JM assumes the risk relating to security and transport and responsibility for insurance from that point to the JM refinery in Ontario. Under the contract BGC may elect to take physical delivery of the refined gold or to sell it to JM with an option to receive up to 95% of its estimated value based on mine site assays within two working days of delivery to the refinery, with the balance following agreement on assays.

Environmental, Health and Safety Matters

BGC has the necessary environmental permits and licences for the Boroo mine. Boroo's Environmental Impact Assessment and Environmental Monitoring and Protection Plans have been approved by the Mongolian government. Licences for the import, storage, use and disposal of reagents and chemicals are in place and include permits for the import, transport, use and on-site storage of cyanide.

BGC has developed an Environment Management System to address the impacts of the Boroo operation on the environment and to monitor compliance with the various permits issued by the state and provincial authorities. The system provides scheduled monitoring, engineering controls and reporting on the following areas: tailings management facility; mill site and mine waste dumps effluents; acid generation potential testing; dust control; spill incidents on site and off site; hazardous material handling; environment impact monitoring; planning for site decommissioning and rehabilitation; potable water treatment system; sewage operation; and landfill operation and inventory.

Decommissioning and Reclamation

A closure plan has been prepared for the Boroo mine and is currently being reviewed by Mongolian authorities. The initial estimate of the costs of decommissioning and reclamation for the Boroo mine is $2.7 million (US).

A reclamation trust fund has not yet been established but Centerra has commenced discussions with governmental authorities about putting such an arrangement in place.

Gatsuurt Exploration Property

Centerra has an indirect controlling interest in the two mining and exploration licences for the Gatsuurt exploration property, situated 35 kilometres from the Boroo project. The Gatsuurt exploration property covers 2,236 hectares. The mineral resource estimates for Gatsuurt are found at "Centerra Gold Inc.-Reserves and Resources".

Centerra's exploration expenditures, including for a feasibility study, in connection with the Gatsuurt property in 2004 were $2.2 million (US).

Drilling and trenching programs have successfully delineated continuous mineralized zones at the Gatsuurt Central Zone and the Gatsuurt Main Zone areas. Prior to 2004, most of the data for the two deposits was obtained by drilling that was generally restricted to the upper 75 to 100 metres of the deposits. During 2004, the Central Zone deposit was delineated to vertical depths of 160 metres to 190 metres. A total of 237 diamond and RC holes totalling 32,363 metres have been drilled at the Central Zone, of which 185 holes were used in the resource estimate completed during 2004. The remaining 52 holes were completed late in the year and will be incorporated in the next update of the resource model.

Metallurgical test work suggests that high recoveries may be achievable for the deeper transition and fresh sulphide material using the bio-oxidation technology and further test work has been initiated. Based on the preliminary results to date, Centerra is planning to complete a feasibility study during 2005 on the potential development of the property as a stand-alone operation.

REN Exploration Property

The REN gold exploration property is located at the northern end of the Carlin Trend gold mines in northern Nevada. It is an advanced exploration property that is actively being explored by the REN joint venture, which is 62% owned by Centerra through a subsidiary of Centerra and 38% owned by Homestake Mining Company of California, a subsidiary of Barrick Gold Corporation. REN's southern boundary is 1,500 metres from Barrick's Meikle mine and mill.

Centerra's exploration expenditures in connection with the REN property in 2004 were $3.9 million (US).

Reserves and Resources

Reserve and resource estimates, the scientific and technical information, and description of the geology relating to Centerra's gold properties, as presented in this Annual Information Form, were reviewed by Alain Gaston Mainville, Geologist and Professional Geoscientist, who is Manager, Mining Resources and Methods at Cameco, and were prepared by or under the supervision of the following qualified persons:

Qualified Persons	Properties
Rob Chapman, Geologist and Professional Geoscientist, Vice-President, Exploration, Centerra	Kumtor Boroo REN
Richard E. Routledge, Professional Geologist, Roscoe Postle Associates Inc. of Toronto	Gatsuurt

To the knowledge of Cameco, the qualified persons as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding common shares of Cameco.

Cameco's gold reserves and resources are located in the Kyrgyz Republic, Mongolia and the United States of America.

The following table shows the estimated gold reserves and resources as at December 31, 2004 on a property basis and Cameco's share. Cameco's share amounts to 52.7% of Centerra Gold's share of the reserves and resources of the properties. The amount of reported resources does not include those amounts identified as reserves.

Cautionary Note to United States Investors concerning estimates of Measured and Indicated Resources:

This section uses the terms "measured resources" and "indicated resources". United States investors are advised that while those terms are recognized and required by Canadian securities regulatory, the United States Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposit in these categories will ever be converted into proven and probable reserves.

Cautionary Note to United States Investors concerning estimates of Inferred Resources:

This section uses the term "inferred resources". United States investors are advised that while this term is recognized and required by Canadian securities regulatory authorities, the United States Securities and Exchange Commission does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource 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. United States investors are cautioned not to assume that part or all of an inferred resource exists or is economically or legally mineable.

	PROVEN (100% basis)			PROBABLE (100% basis)			TOTAL RESERVES (100% basis)					
	(tonnes and ounces in thousands)											
RESERVES (1) (3)	Tonnes	Grade g/t Au	Content oz Au	Tonnes	Grade g/t Au	Content oz Au	Tonnes	Grade g/t Au	Content oz Au	Cameco's Share oz Au	Estimated Metallurgical Recovery %	Mining Method (2)
PROPERTY												
Boroo	830	2.5	68	10,981	3.1	1,104	11,811	3.1	1,172	586	94%	OP
Kumtor	20,087	3.3	2,099	10,902	3.3	1,150	30,989	3.3	3,249	1,712	82%	OP
Total	20,917	3.2	2,167	21,883	3.2	2,254	42,800	3.2	4,421	2,298	—	

	MEASURED (100% basis)			INDICATED (100% basis)			MEASURED AND INDICATED RESOURCES (100% basis)				
	(tonnes and ounces in thousands)										
RESOURCES (1)	Tonnes	Grade g/t Au	Content oz Au	Tonnes	Grade g/t Au	Content oz Au	Tonnes	Grade g/t Au	Content oz Au	Cameco's Share oz Au	Mining Method
PROPERTY											
Boroo	—	—	—	2,595	2.3	194	2,595	2.3	194	97	OP
Gatsuurt	—	—	—	8,100	3.4	890	8,100	3.4	890	469	OP
Kumtor	9,395	3.3	997	8,195	3.5	917	17,590	3.4	1,914	1,008	OP/UG
REN	—	—	—	1,873	13.1	791	1,873	13.1	791	259	UG
Total	9,395	3.3	997	20,763	4.2	2,792	30,158	3.9	3,789	1,833	

	INFERRED RESOURCES (100% basis) (tonnes and ounces in thousands)				
	Tonnes	Grade g/t Au	Content oz Au	Cameco's Share oz Au	Mining Method
PROPERTY					
Boroo	3,215	1.9	193	97	OP
Gatsuurt	1,540	3.1	152	80	OP
Kumtor	9,976	4.5	1,448	763	OP/UG
REN	1,261	12.7	516	169	UG
Total	15,992	4.5	2,309	1,109	

Notes:

(1) Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identifies as reserves.

(2) Mining Method: OP – Open Pit; UG – Underground.

(3) For the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, reserves were calculated with a cut-off grade based on a gold price of $375 (US) per ounce. For the purpose of estimating reserves in accordance with United States Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, reserves were calculated with a cut-off grade based on a gold price of $350 (US) per ounce. At the lower gold price, on a 100% basis, Kumtor reserves decrease by 1,772,000 tonnes of ore (4%) and 109,000 ounces of contained gold (3%) and Boroo reserves decrease by 530,000 tonnes of ore (4%) and 17,400 ounces of contained gold (1%).

Gold Reserves and Resources Reconciliation

The following reconciliation of Cameco's share of gold reserves and resources reflects the changes in gold reserves and resources during 2004. Part of the 2004 additions and deletions at Kumtor and Boroo result from a change in gold price and from mining and milling and additional information provided by mining experience, drilling results analysis and reclassifications. All properties report changes in reserves and/or resources due to the share ownership modification following closing of Centerra's initial public offering.

Reconciliation of Cameco's Share of Gold Reserves and Resources (1)
(in troy ounces)

	December 31, 2003	2004 Throughput (2)	2004 Addition (Deletion)	December 31, 2004
Reserves — Proven				
Boroo	—	(135,000)	169,000(3,4)	34,000
Kumtor	677,000	(422,000)	851,000(3,4)	1,106,000
Total Proven Reserves	677,000	(557,000)	1,020,000	1,140,000
Reserves — Probable				
Boroo	617,000	—	(65,000)(3,4)	552,000
Kumtor	254,000	—	352,000(3,4)	606,000
Total Probable Reserves	871,000	—	287,000	1,158,000
Total Reserves	**1,548,000**	**(557,000)**	**1,307,000**	**2,298,000**
Resources — Measured				
Kumtor	207,000	—	318,000(3,4)	525,000
Total Measured Resources	207,000	—	318,000	525,000
Resources — Indicated				
Boroo	122,000	—	(25,000)(3,4)	97,000
Gatsuurt	—	—	469,000(3,4)	469,000
Kumtor	348,000	—	135,000(3,4)	483,000
REN	—	—	259,000(3,4)	259,000
Total Indicated Resources	470,000	—	838,000	1,308,000
Total Measured and Indicated Resources	**677,000**	**—**	**1,156,000**	**1,833,000**
Resources — Inferred				
Boroo	—	—	97,000(3,4)	97,000
Gatsuurt	—	—	80,000(3,4)	80,000
Kumtor Gold	241,000	—	522,000(3,4)	763,000
REN	—	—	169,000(3,4)	169,000
Total Inferred Resources	**241,000**	**—**	**868,000**	**1,109,000**

Notes:

(1) Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

(2) Corresponds to millfeed. The discrepancy between the 2004 millfeed and Cameco's share of 2004 ounces produced is due to mill recovery and the processing of low grade material.

(3) Change in reserves or resources, as applicable, includes reassessment of geological data, results of information provided by mining and milling, subsequent re-classification of reserves or resources, and increase in gold price.

(4) Change in percent ownership.

Centerra Commitments and Contractual Obligations

Exchange Agreements with IFC and EBRD

Each of International Finance Corporation ("IFC") and European Bank for Reconstruction and Development ("EBRD") had made subordinated loans to KGC in the amount of $10 million (US), the proceeds of which were used in the construction of the Kumtor mine. The repayment of these loans was scheduled to begin in December 2005, but IFC and EBRD had the right to delay the final repayment of the loans until 2015. The calculation of interest payments due under the loans was dependent on the performance of the Kumtor mine. Centerra entered into agreements with each of IFC and EBRD (the "Agency Exchange Agreements") pursuant to which, in exchange for their assigning to Centerra the benefit of the subordinated loans, Centerra issued to each of IFC and EBRD 1,530,606 common shares and made a cash payment to each of $9.5 million on June 30, 2004.

In connection with this exchange, Centerra has agreed separately with IFC and EBRD that, as long as each holds more than 10% of the number of Centerra's shares issued to it in connection with the exchange, it will: (i) maintain a sustainable development policy; (ii) allow representatives of IFC and EBRD to visit Centerra's Kumtor and Boroo operations each year, (iii) perform an environmental assessment in connection with all proposed new projects and developments in accordance with the applicable World Bank policy in effect as of the date of the Agency Exchange Agreements and to operate such new projects and developments in accordance with mine and operating plans that seek to limit the environmental impact of the operations and protect human health and safety in accordance with good international mining practices and applicable laws and World Bank guidelines in effect as of the date of the Agency Exchange Agreements; and (iv) conduct its Kumtor operations in accordance with good international mining practices, including the most stringent of (a) the standards applicable to the Kumtor mine under the EMAP and (b) the environmental laws of the Kyrgyz Republic, Canada and Saskatchewan in effect from time to time.

Political Risk Insurance Rights Plan

As a prerequisite to acquiring political risk insurance for Centerra's Kumtor mining operations, Centerra adopted an insurance risk rights plan. The plan will be applied if an event occurs relating to KGC or its assets or operations at a time when Kyrgyzaltyn is controlled by the government of the Kyrgyz Republic and the event is caused by that government and results in a payment to Centerra under the political risk insurance coverage. In this event the following will occur:

- each holder of Centerra common shares will be entitled to exchange its shares for Centerra Class A non-voting shares;
- Kyrgyzaltyn has irrevocably elected to exchange all of its common shares for Class A non-voting shares and it is expected that no other shareholders would elect to do this;
- the holders of Centerra common shares (but not Class A non-voting shares) will be entitled to acquire additional common shares for $0.01 per share, with the aggregate number of common shares available to be determined by a formula designed to provide for the holders of Class A non-voting shares to be diluted by an amount that approximates the proceeds received under the political risk insurance; and
- following the exercise of the rights to acquire additional shares by Centerra common shareholders, the Class A non-voting shares will convert back into Centerra common shares.

Centerra Shareholders Agreement

In connection with the Kumtor restructuring Centerra entered into a shareholders agreement with Cameco Gold Inc. "CGI"), a wholly-owned Cameco subsidiary, and Kyrgyzaltyn (the "Shareholders Agreement") governing certain matters related to their ownership of common shares of Centerra. The Shareholders Agreement provides for each of Kyrgyzaltyn and CGI to meet from time to time, not less frequently than annually, to consider the disposition of the common shares held by them by way of follow-on secondary offering. Despite this agreement to consult, each of Kyrgyzaltyn and CGI may at any time initiate a further distribution of Centerra's common shares (subject to the lock-up agreements described below under "Lock-up Agreements"). Also, if Centerra proposes to issue any of its common shares by private placement or public offering, Centerra will provide CGI and Kyrgyzaltyn with an opportunity to sell their shares as part of the offering provided that Centerra's reasonable capital needs take priority.

For a period of five years following the date of the closing of the Kumtor restructuring, for so long as Kyrgyzaltyn is controlled, directly or indirectly, by the government of the Kyrgyz Republic, Kyrgyzaltyn or its affiliates have agreed to maintain registered and beneficial ownership of at least 5% of the outstanding common shares at the time of the closing of the Kumtor restructuring, except in the case of certain permitted takeover bids and subject to appropriate anti-dilution adjustments, as determined from time to time by Centerra's Board of Directors.

The Shareholders Agreement also addresses the voting by CGI and Kyrgyzaltyn of their shares for their respective nominees to Centerra's board.

Lock-up Agreements

Each of Kyrgyzaltyn and Cameco have entered into an agreement with the underwriters of Centerra's initial public offering not to sell any of the common shares it holds until June 30, 2005, except in limited circumstances.

Location Agreement

On April 22, 2004 Cameco entered into an agreement with Centerra which provides that Centerra will not carry on business in Canada by owning, acquiring, exploring, developing or mining mineral properties located in Canada (the "Location Agreement"). The Location Agreement will terminate and the prohibition will end once Centerra ceases to be a subsidiary of Cameco under applicable corporate law.

Administrative Services Agreement

Centerra has entered into a services agreement with Cameco pursuant to which Cameco has agreed to provide certain services and expertise to Centerra in return for reimbursement of all its direct or indirect costs relating to such services.

Legal Proceedings

An action was commenced during 1997 in a Canadian court by certain dependants of nine persons against the Company, CGI, KOC and certain other parties seeking damages, in the amount of $20,700,000 including punitive damages, plus interest and costs in connection with the death of the said nine persons in a helicopter accident in Kyrgyz Republic on October 4, 1995. This action was settled on February 3, 2005 and had no financial impact on the Company.

Certain Risk Factors Relating to Centerra's Business and the Gold Industry

The following information pertains to the outlook and conditions currently known to the Company relating to Centerra's gold business which could have a material impact on the financial condition of the Company. This information, by its nature, is not all-inclusive. It is not a guarantee that other factors will not affect the Company in the future. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including "Common Risk Factors — Uranium and Gold" and Management's Discussion and Analysis (Appendix "B"). As the context requires for the following information, the reference to Company or Cameco also includes Cameco's direct and indirect subsidiaries.

Centerra's business is sensitive to the volatility of gold prices

Centerra's revenue is largely dependent on the world market price of gold. The gold price is subject to volatile price movements over time and is affected by numerous factors beyond Centerra's control. These factors include global supply and demand; central bank lending, sales and purchases; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the United States dollar; market speculative activities; and global or regional political and economic events, including the performance of India's and the rest of Asia's economies.

Fluctuation in gold prices is illustrated by the following table which sets forth for the periods indicated the average closing gold prices in United States dollars per ounce.

Average London PM Fix
(US$)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
US$ Average	384	388	331	294	279	279	271	310	363	409

On March 1, 2005 the closing price of gold on the London market (PM Fix) was $433 (US) per ounce.

If the market price of gold falls and remains below variable production costs of any of Centerra's mining operations for a sustained period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of Centerra's mining and exploration activities. Centerra would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cut off grade and level of Centerra's gold reserves and resources. These factors could have an adverse impact on Centerra's expected contribution to Cameco's financial results.

Centerra's reserves may not be replaced

The Kumtor and Boroo mines are currently Centerra's only sources of gold production and will be depleted by 2010, based upon the current life of mine plans. If these reserves are not replaced, this could have an adverse impact on Centerra's expected contribution to Cameco's financial results.

Centerra may experience further ground movements at the Kumtor mine

On July 8, 2002, a highwall ground movement at the Kumtor mine resulted in the death of one of Centerra's employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, Centerra lower grade ore was milled and achieved lower recovery rates. See "Kumtor Mine-Highwall Ground Movement" for additional details describing this event and the actions taken in response. There has also been movement detected in the southeast wall of the open pit and a crack was discovered at the crest of the wall. See "Kumtor Mine-Southeast Wall Movement" for additional details describing this event and actions taken in response. There can be no guarantee against further ground movements. A future ground movement could result in a significant interruption of operations. Centerra may also experience a loss of reserves if it is necessary to redesign

the open pit as a result of a future ground movement. The consequences of a future ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted or Centerra experiences a loss of reserves, this could have a material adverse impact on Cameco.

Political Risk

Please see the disclosure under the heading "*Political Risk*" at "Common Risk Factors-Uranium and Gold."

Imprecision of Reserve and Resource Estimates

Please see the disclosure under the heading "*Imprecision of Reserve and Resource Estimates*" at "Common Risk Factors-Uranium and Gold."

Production Estimates may be inaccurate

Please see the disclosure under the heading "*Production Estimates may be inaccurate*" at "Common Risk Factors-Uranium and Gold."

Exploration and Development activities may not be successful

Please see the disclosure under the heading "*Exploration and Development activities may not be successful* " at "Common Risk Factors-Uranium and Gold."

Prospects may suffer due to enhanced competition for mineral acquisition opportunities

Please see the disclosure under the heading "*Prospects may suffer due to enhanced competition for mineral acquisition opportunities* " at "Common Risk Factors-Uranium and Gold."

Centerra is subject to a number of operational risks and Centerra may not be adequately insured for certain risks.

Please see the disclosure under the heading "*Cameco and Centerra are subject to a number of operational risks and Cameco and Centerra may not adequately insured for certain risks*" at "Common Risk Factors-Uranium and Gold."

Centerra's operations in the Kyrgyz Republic and Mongolia are located in areas of seismic activity

The areas surrounding both the Kumtor mine and the Boroo operations are seismically active. While the risks of seismic activity were taken into account when determining the design criteria for Centerra's Kumtor and Boroo operations, there can be no assurance that Centerra's operations will not be adversely affected by this kind of activity.

Environmental, health and safety risks

Please see the disclosure under the heading "*Environmental, health and safety risks* " at "Common Risk Factors-Uranium and Gold."

Illegal mining has occurred on Centerra's Mongolian properties, is difficult to control, may disrupt Centerra's operations and may expose Centerra to liability.

Illegal mining is widespread in Mongolia. Illegal miners may trespass on Centerra's properties and engage in very dangerous practices, including climbing inside caves and old exploration shafts without any harnessing or safety devices. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits. The illegal activities of these miners could cause environmental damage (including environmental damage from the use of mercury be these miners) or other damage to Centerra's properties or further personal injury or death, for which Centerra could potentially be held responsible.

Centerra may be unable to enforce its legal rights in certain circumstances

Please see the disclosure under the heading "*Cameco or Centerra may be unable enforce its legal rights in certain circumstances* " at "Common Risk Factors-Uranium and Gold."

Centerra faces substantial decommissioning and reclamation costs which may be difficult to predict accurately

At each of Centerra's mine sites Centerra is required to establish a decommissioning and reclamation plan. The costs of performing the decommissioning and reclamation must be funded by Centerra's operations. These costs can be significant and are subject to change. Centerra cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If Centerra is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher that current estimates, this could have an adverse impact on Centerra's expected contribution to Cameco's financial results.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact Centerra's business

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact Centerra's decision as to whether to continue to operate existing mines, ore refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Centerra is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in governments, regulations and policies and practices could have an adverse impact on Centerra's expected contribution to Cameco's financial results.

Please see also see the additional disclosure under the heading " *Governmental Regulation and Policy Risks* " at "Common Risk Factors-Uranium and Gold."

Centerra may experience reduced liquidity and difficulty in obtaining future financing

The further development and exploration of mineral properties in which Centerra holds interest or which Centerra acquire may depend upon Centerra's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that Centerra will be successful in obtaining required financing as and when needed. Volatile gold markets may make it difficult or impossible for Centerra to obtain debt financing or equity financing on favourable terms or at all. Centerra's principal operations are located in, and Centerra's strategic focus is on, Central Asia and the former Soviet Union, developing areas that have experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for Centerra to obtain debt financing from project or other lenders. Failure to obtain additional financing on a timely basis may cause Centerra to postpone development plans, forfeit rights in Centerra's properties or joint ventures or reduce or terminate Centerra's operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Centerra's expected contribution to Cameco's financial results.

Properties may be subject to defects in title

Please see the disclosure under the heading " *Properties may be subject to defects in title* " at "Common Risk Factors-Uranium and Gold."

Centerra's properties are located in remote locations and require a long lead time for equipment and supplies

Centerra operates in remote locations and depends on an uninterrupted flow of materials, supplies and services to those locations. In addition, Centerra uses expensive, large equipment that requires a long time to procure, build and install. Any interruptions to the procurement of equipment, or the flow of materials, supplies and services to Centerra's properties could have an adverse impact on Centerra's expected contribution to Cameco's financial results.

Key Personnel

Please see the disclosure under the heading " *Key Personnel* " at "Common Risk Factors-Uranium and Gold."

Centerra's success depends on its ability to attract and retain qualified personnel

Please see the disclosure under the heading "*Cameco's and Centerra's success depends on their ability to attract and retain qualified personnel* " at "Common Risk Factors-Uranium and Gold."

As a holding company, Centerra's ability to make payments depends on the cash flows of its subsidiaries.

Centerra is a holding company that conducts substantially all of operations through subsidiaries, many of which are incorporated outside of North America. Centerra has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, Centerra is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of principal and interest on any debt its incurs. The ability of Centerra's subsidiaries to provide it with payments may be constrained by the following factors:

- the cash flows generated by operations, investment activities and financing activities;
- the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate;
- the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated; and
- the ownership interests of other investors in Centerra's subsidiaries.

If Centerra is unable to receive sufficient cash from its subsidiaries, Centerra may be required to refinance its indebtedness, raise funds in a public or private equity or debt offering or sell some or all of its assets. There can be no assurances that an offering of its debt or equity or refinancing of its debt can or will be completed on satisfactory terms or that it would be sufficient to enable it to make payment with respect to its debt.

Currency Fluctuations

Please see the disclosure under the heading "*Currency Fluctuations*" at "Common Risk Factors-Uranium and Gold."

Centerra may engage in hedging transactions which may not be successful and which may also limit the price that can be realized for gold that is subject to forward sales contracts

Although Centerra's gold position is presently not hedged, in certain circumstances Centerra may elect to hedge the price risk for future gold sales by using forward sales contracts to mitigate the price risk on a portion of future gold conditions and use other hedging strategies. These transactions expose Centerra to the risk of default by the counterparties to these contracts. Cameco expects that Centerra would manage this risk of default, or credit risk, by dealing only with financial institutions that meet Centerra's credit rating standards and by limiting exposures with individual counterparties. There can be no assurance that Centerra's efforts to limit its exposure to this risk of default will be successful. Such a default could have an adverse impact on Centerra's expected contribution to Cameco's financial results.

Counterparty/Credit Risk

Please see the disclosure under the heading "*Counterparty/Credit Risk*" at "Common Risk Factors-Uranium and Gold."

Accounting Policies

Please see the disclosure under the heading "*Accounting Policies*" at "Common Risk Factors-Uranium and Gold."

Internal Controls

Please see the disclosure under the heading "*Internal Controls*" at "Common Risk Factors-Uranium and Gold."

Centerra may experience difficulties with its joint venture partners

Please see the disclosure under the heading "*Cameco and Centerra may experience difficulties with its joint venture partners* " at "Common Risk Factors-Uranium and Gold."

Additional Information on Centerra

Additional information on Centerra's properties, operations, financial results, financial positions and the risk factors associated with its operations can be found in its most recent annual and interim financial statements and management's discussion and analysis, annual information form, material change reports and press releases available through SEDAR (www.sedar.com).

Non-GAAP measure

Total cash cost

This annual information form presents information about total cash cost of production of an ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by using the Gold Institute Production Cost Standard.

Total cash costs, as defined in the Gold Institute Production Cost Standard, include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs and capital, development and exploration.

Total cash cost per ounce has been included because certain investors use this information to assess performance and also to determine the ability of Centerra to generate cash flow for use in investing and other activities. The inclusion of total cash cost per ounce enables investors to better understand year-on-year changes in production costs, which in turn affect profitability and cash flow**.** See Centerra's management's discussion and analysis for the year ended December 31, 2004 filed on SEDAR for a reconciliation of total cash cost to the nearest GAAP measure.

COMMON RISK FACTORS – URANIUM AND GOLD

In addition to the risk factors referred to under "Nuclear Business-Risk Factors" and "Centerra Gold Inc. – Risk Factors Relating to Centerra's Business and the Gold Industry", there are certain risks which are generally applicable to both the uranium and gold industries, as outlined in the following. The risks discussed here are not all inclusive. No guarantee is provided that other factors will not affect the Company in the future. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including Management's Discussion and Analysis (Appendix "B"). As the context requires for the following information, reference to the Company or Cameco also includes Cameco's direct and indirect subsidiaries, including Centerra.

Cameco and Centerra are subject to a number of operational risks and Cameco and Centerra may not be adequately insured for certain risks

Cameco's and Centerra's businesses are subject to a number of risks and hazards, including environmental pollution, accidents or spills (including hazardous emissions from Cameco's Port Hope conversion facilities such as a UF_6 release or a leak of anhydrous hydrogen fluorine used in the UF_6 conversion process); industrial and transportation accidents, which may involve radioactive or hazardous materials; labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements, tailings pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological conditions and technological failure of mining methods. Cameco also contracts for the transport of its uranium and uranium products to refining, conversion and enrichment facilities in North America and Europe, which exposes the Company to transportation risks.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Centerra's gold properties and Cameco's uranium properties and refining and conversion facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of production from Centerra's and Cameco's mines or Cameco's refining and conversions facilities or in Centerra's and Cameco's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Although Cameco and Centerra maintain insurance to cover some of these risks and hazards in amounts Cameco and Centerra believe to be reasonable, subject to deductibles, this insurance may not provide adequate coverage in all circumstances. No assurance can be given that Cameco's and Centerra's insurance will continue to be available at

economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Also, Cameco and Centerra may be subject to liability or sustain loss for certain risks and hazards against which Cameco and Centerra cannot insure or which Cameco and Centerra may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on Cameco's and Centerra's future cash flows, earnings, results of operations and financial condition.

Imprecision of Reserve and Resource Estimates

Reserve and resource figures included for uranium and gold are estimates and no assurances can be given that the indicated levels of uranium and gold will be produced or that Cameco will receive the uranium price and gold price assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the reserve and resource estimates included are well established and reflects management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in uranium and gold, as well as increased capital or production costs or reduced recovery rates, may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

If Cameco's reserve or resource estimates for its uranium and gold properties are inaccurate or are reduced in the future, this could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Production Estimates may be inaccurate

Cameco prepares estimates of future production for particular operations. No assurance can be given that production estimates will be achieved. Failure to achieve production estimates could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition. These production estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing.

Cameco's actual production may vary from estimates for a variety of reasons, including, among others: actual ore mined varying from estimates of grade, tonnage, dilution, and metallurgical and other characteristics; mining and milling losses being greater than planned; short-term operating factors relating to the ore reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades; risk and hazards associated with mining; failure of mining methods; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements and cave-ins; and unexpected labour shortages or strikes.

Exploration and Development activities may not be successful

Exploration for and development of uranium properties and gold properties involve significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting uranium and gold from ore. Cameco and Centerra cannot ensure that their current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new reserves. Also, substantial expenses may be incurred on exploration projects which are subsequently abandoned due to poor exploration results or the inability to define reserves which can be mined economically.

Cameco's and Centerra's ability to sustain or increase its present levels of uranium and gold production, respectively, is dependent in part on the successful development of new orebodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors, including, among others: the accuracy of reserve estimates; metallurgical recoveries; capital and operating costs of such projects; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting, and environmental protection; and uranium and gold prices, which are highly cyclical. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Cameco and Centerra conduct feasibility studies which derive estimates of capital and operating costs based upon many factors, including, among others: anticipated tonnage and grades of ore to be mined and processed; the configuration of the orebody; ground and mining conditions; expected recovery rates of the uranium and gold from the ore; and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from Cameco's and Centerra's best estimates. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These additional costs could have an adverse impact on Cameco's and Centerra's future cash flows, earnings results of operations and financial condition.

Environmental, health and safety risks.

Cameco and Centerra expend significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of jurisdictions. The historical trend toward stricter laws is likely to continue. The uranium industry is subject to not only the worker health, safety and environmental risks associated with all mining businesses, including potential liabilities to third parties for environmental damage, but also to additional risks uniquely associated with uranium mining and processing. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining, milling, refining and conversion sites and other environmental matters, each of which could have a material adverse effect on Cameco's and Centerra's operations or the cost or the viability of a particular project.

Cameco's and Centerra's facilities operate under various operating and environmental permits, licences and approvals that contain conditions that must be met and Cameco's and Centerra's right to continue operating their facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of Cameco's and Centerra's facilities or material fines or penalties, all of which could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Governmental Regulation and Policy Risks

Mining and refining operations and exploration activities, particularly uranium mining, refining, conversion and transport in Canada and the United States, are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, and other matters. Compliance with such laws and regulations has increased the costs of exploring, drilling, developing, constructing, operating and closing the Company's mines and refining and other facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact the Company's decision as to whether to operate existing mines, ore refining and other facilities or, with respect to exploration and development properties, whether to proceed with exploration or development. The Company expends significant financial and managerial resources to comply with such laws and regulations. Cameco anticipates it will have to continue to do so as the historic trend toward stricter government regulation will likely continue. Since legal requirements change frequently, are subject to interpretation and may be enforced in varying degrees in practice, Cameco is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, future changes in governments, regulations and policies and practices, such as those affecting the Company's mining operations, uranium refining

and conversion operations, and uranium transport, could materially and adversely affect the Company's results of operations and financial condition in a particular period or its long term business prospects.

Worldwide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies.

The development of mines and related facilities is contingent upon governmental approvals, licences and permits which are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The receipt, duration and renewal of such approvals, licences and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-government organizations or first nations claiming certain rights with respect to traditional lands. Any significant delays in obtaining or renewing such approvals, licences or permits could have a material adverse effect on the Company.

Political Risk

Cameco's Inkai project is located in the Republic of Kazakhstan. All of Centerra's current gold production and reserves are derived from assets located in the Kyrgyz Republic and Mongolia. These three countries are developing countries that have experienced political and economic difficulties in recent years. Cameco's Inkai project and Centerra's mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment and the mining business in each of these countries. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, corruption, extreme fluctuations in currency rates and high inflation in Central Asia and the former Soviet Union.

The relevant governments have entered into contracts with Cameco and Centerra or granted permits or concessions that enable them to conduct operations or development and exploration activities. Notwithstanding these arrangements, their ability to conduct operations or exploration and development activities is subject to changes in government regulations or shifts in political attitudes over which they have no control.

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment, renationalization of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that Cameco's or Centerra's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would be effective to restore the value of Cameco's or Centerra's original investment. Similarly, Cameco's and Centerra's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, mine safety and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in these countries 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. Furthermore, there can be no assurance that the agreements Cameco and Centerra have with the governments of these countries, including the Investment Agreement and the Stability Agreement, will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Cameco and Centerra have made an assessment of the political risk associated with each of its foreign investments and maintain political risk insurance to mitigate losses as deemed appropriate. However, Centerra's political risk coverage provides that on a change of control of Centerra the insurers have the right to terminate the coverage. If that were to happen, there can be no assurance that the political risk insurance will continue to be available on reasonable terms. Furthermore, there can be no assurance that the insurance would continue to be available at any time or that particular losses Cameco or Centerra may suffer with respect to its foreign investments will be covered by the insurance. These losses could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition if not adequately covered by insurance.

Cameco or Centerra may be unable to enforce its legal rights in certain circumstances.

In the event of a dispute arising at Cameco's or Centerra's foreign operations, Cameco and Centerra may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Cameco and Centerra may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provision of the Investment Agreement, the Stability Agreement, the agreements related to Joint Venture Inkai, and HEU Commercial Agreement stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. If Cameco and Centerra are unable to enforce its rights under these agreements, this could have an adverse effect on Cameco's future cash flows, earnings, results of operations and financial condition.

Properties may be subject to defects in title

Cameco and Centerra have investigated their rights to explore and exploit all of their material properties and, to the best of their knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked, or significantly altered, to their detriment. There can also be no assurance that Cameco's and Centerra's rights will not be challenged or impugned by third parties, including the local governments, and in Canada by First Nations and Metis.

The validity of unpatented mining claims on U.S. public lands is sometimes uncertain and may be contested. Due to the extensive requirements and associated expense required to obtain and maintain mining rights on U.S. public lands, Centerra's interest in the REN property and Cameco's interest, held by subsidiaries, in its ISL properties may be subject to various uncertainties which are common to the industry, with the attendant risk that its title may be defective.

Although Cameco and Centerra are not currently aware of any existing title uncertainties with respect to any of their material properties, other than with respect to First Nation and Métis claims in Saskatchewan, there is no assurance that such uncertainties will not result is future losses or additional expenditures, which could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Counterparty/Credit Risk

Cameco enters into transactions to reduce the impact of fluctuations in currency exchange rates. These transactions expose the Company to the risk of default by the counterparties to such contracts. The Company manages this risk of default, or credit risk, by dealing only with financial institutions that meet its credit rating standards and by limiting exposures with individual counterparties.

In addition, Cameco's sales of uranium product and conversion services expose the Company to the risk of non-payment. The Company manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk. As of December 31, 2004, less than 1% of Cameco's forecast revenue under contract, for the period 2005 to 2007, is with customers whose creditworthiness does not meet Cameco's standards for unsecured payment terms. As well, Cameco's purchase of uranium product and conversion services, such as under the HEU Commercial Agreement, exposes the Company to the risk of the supplier's failure to fulfill its delivery commitment.

Although the Company seeks to manage its credit risk and purchase risk exposure, there can be no assurance that the Company will be successful.

Currency Fluctuations

Cameco's earnings and cash flow may also be affected by fluctuations in the US/Canadian dollar exchange rate. Cameco's sales of uranium and conversion services are mostly denominated in US dollars, while its production costs of both is denominated primarily in Canadian dollars. Cameco's consolidated financial statements are expressed in Canadian dollars.

Centerra's consolidated financial statements are expressed in US dollars. Its sales of gold are denominated in US dollars. As part of the consolidation by Cameco of Centerra's financial results, they are converted into Canadian dollars at prevailing exchange rates. As of December 31, 2004, Centerra also had $62 million of cash in Canadian currency, being part of the proceeds from its initial public offering.

Fluctuations in exchange rates between the US dollar and the Canadian dollar may give rise to foreign exchange currency exposures, both favourable and unfavourable, which has materially impacted and may materially impact in the future Cameco's financial results. Although Cameco utilizes a hedging program to limit any adverse effects of foreign exchange rate fluctuations, there can be no assurance that such hedges have eliminated the potential material adverse impact of such fluctuations.

Accounting Policies

The accounting policies and methods utilized by Cameco determine how it reports its financial condition and results of operations, and they may require management of the Company to make estimates or rely on assumptions about matters that are inherently uncertain. Cameco's financial conditional and results of operations are reported using accounting policies and methods prescribed by Canadian GAAP. In certain cases, Canadian GAAP allows accounting policies and methods to be selected from two or more alternatives, any of which might be reasonable, yet results in Cameco reporting materially different amounts. Management of Cameco exercises judgement in selecting and applying accounting policies and methods to ensure that while Canadian GAAP compliant, they reflect management's best judgment of the most appropriate manner in which to record and report the Company's financial condition and results of operations. Significant accounting policies to the Cameco's consolidated financial statements are described in Notes to such statements under the heading "Summary of Significant Accounting Policies".

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Key Personnel

The chief executive officer and senior officers of Cameco and Centerra are critical to their success. In the event of the departure of the chief executive officer or a senior officer, each of Cameco and Centerra believe that they will be successful in attracting and retaining qualified successors but there can be no assurance of such success. If Cameco or Centerra is not successful in attracting and retaining qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Cameco's and Centerra's success depends on their ability to attract and retain qualified personnel.

Recruiting and retaining qualified personnel is critical to Cameco's and Centerra's success. The number of persons skilled in the acquisition, exploration and development of mining properties and the operation of uranium refining and conversion facilities is limited and competition for such persons is intense. As Cameco's and Centerra's business activity grows, they will require additional key financial, administrative and mining personnel as well as additional operations staff. The Concession Agreement relating to Centerra's Kumtor operations also requires two thirds of all administrative or technical personnel to be citizens of the Kyrgyz Republic. However, it has been necessary to engage expatriate workers for Centerra's operations in Mongolia and, to a lesser extent, the Kyrgyz Republic because of the shortage of locally trained personnel. It is also necessary for Cameco to engage expatriate and local workers for the Inkai project in Kazakhstan. If Cameco or Centerra is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Prospects may suffer due to enhanced competition for mineral acquisition opportunities.

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, the Company and Centerra may be unable to acquire rights to exploit additional attractive mining properties on terms that the Company and Centerra consider acceptable. Accordingly, there can be no assurance that the Company and Centerra will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. If the Company and Centerra are not able to acquire such interests, this could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Cameco and Centerra may experience difficulties with its joint venture partners.

Cameco operates McArthur River mine and Cigar Lake development project through joint ventures with other companies. Centerra operates the REN project through a joint venture with another company. Both Cameco and Centerra may in the future enter into additional joint ventures. Both companies are subject to the risks normally

associated with the conduct of joint ventures. These risks include disagreement with a joint venture partner on how to develop, operate and finance a project and possible litigation between the joint venture partners regarding joint venture matters. These matters may have an adverse effect on Cameco's and Centerra's ability to pursue the projects subject to the joint venture, which could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

See the Company's Management's Discussion and Analysis attached as Appendix "B".

DESCRIPTION OF SECURITIES

Description of Share Capital

The authorized share capital of Cameco consists of an unlimited number of First Preferred Shares without nominal or par value, issuable in series (none of which are outstanding); an unlimited number of Second Preferred Shares without nominal or par value, issuable in series (none of which are outstanding); an unlimited number of common shares without nominal or par value, of which, at December 31, 2004, 173,040,069 common shares were outstanding as fully paid and non-assessable shares and one Class B Share of which one is outstanding as a fully paid and non-assessable share. (In addition, as of December 31, 2004 there were 4,868,670 stock options outstanding to acquire common shares of Cameco pursuant to the Company's stock option plan. As well, at December 31, 2004, Cameco had $230 million of Convertible Debentures outstanding. This issue may be converted into a total of 10.6 million common shares. See "5% Convertible Subordinated Debentures".) The Articles of Incorporation of Cameco (the "Articles") contain provisions imposing restraints on the issue, transfer and ownership of voting securities of Cameco. See "Restrictions on Ownership and Voting" below. The following is a summary of the material provisions attaching to these classes of shares.

Common Shares

Subject to the limitations described below, the holders of common shares are entitled to one vote per common share on all matters to be voted on by the shareholders at any meetings of shareholders (other than at meetings of only holders of some other class or series), and are entitled to receive such dividends as may be declared by the board of directors of Cameco. The common shares are subordinate to the rights of the holders of each series of the First Preferred Shares and Second Preferred Shares that may be outstanding as to payment of dividends and to the distribution of assets in the event of liquidation, dissolution or winding up of Cameco or any other distribution of the assets of Cameco among its shareholders for the purpose of winding up its affairs. The holders of the common shares have no pre-emptive, redemption, purchase or conversion rights in respect of such shares. Except as described under "Description of Share Capital — Restrictions on Ownership and Voting" below, non-residents of Canada who hold common shares have the same rights as shareholders as residents of Canada.

Class B Shares

The holder of the Class B share (the "Class B Share"), the Province of Saskatchewan, is entitled to receive notice of and to attend all meetings of shareholders including meetings of any class or series thereof but does not have the right to vote at any such meeting other than a meeting of the holder of the Class B Share as a class. The holder of the Class B Share does not have the right to vote separately as a class, except on any proposal to (i) amend Part I of Schedule B of the Articles, (ii) amalgamate that would effect an amendment to Part I of Schedule B of the Articles, or (iii) amend the Articles so as to alter the rights attached to the Class B Share. Part I of Schedule B of the Articles provides that (A) the registered office and head office operations of Cameco must be located in the Province of Saskatchewan (the "Province"), (B) all of the executive officers (vice-chairman of the board, chief executive officer, chief operating officer, chief financial officer and president) of the Company, except for the chairman of the board, and substantially all of the senior officers (vice presidents) of the Company must be ordinarily resident in the Province, and (C) all annual meetings of shareholders of the Company must be held at a place in the Province. The holder of the Class B Share is entitled to request and receive information from Cameco for the purpose of determining whether the provisions of Part I of Schedule B of the Articles are being complied with. The holder of the Class B Share does not have the right to receive any dividends declared by the Company. Subject to the prior rights of each series of First Preferred Shares and Second Preferred Shares, the holder of the Class B Share ranks equally with holders of common shares with respect to the distribution of assets in the event of liquidation, dissolution or winding up of the Company. The holder of the Class B Share has no pre-emptive, redemption, purchase or conversion rights in respect of such share. The Class B Share is non-transferable.

First Preferred Shares

The First Preferred Shares are issuable from time to time in one or more series and the board of directors of Cameco may determine by resolution the number of shares in, and the designation, rights, privileges, restrictions and conditions attaching to, each series. The First Preferred Shares of each series will rank equally with the shares of every other series of First Preferred Shares and prior to the Second Preferred Shares, the common shares and the Class B Share with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of the Company and may carry voting rights.

Second Preferred Shares

The Second Preferred Shares are issuable from time to time in one or more series and the board of directors of Cameco may determine by resolution the number of shares in, and the designation, rights, privileges, restrictions and conditions attaching to, each series. The Second Preferred Shares of each series will rank equally with the shares of every other series of Second Preferred Shares and prior to the common shares and the Class B Share with respect to the payment of dividends and the distributions of assets in the event of liquidation, dissolution or winding up of the Company and may carry voting rights.

Restrictions on Ownership and Voting

Limits on the Holdings of Residents and Non-Residents of Canada

The Articles, pursuant to the requirements of the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada) as amended (the "ENL Reorganization Act"), contain provisions imposing constraints on the issue, transfer and ownership, including joint ownership, of voting securities of Cameco so as to prevent both residents and non-residents from owning or controlling more than a specified percentage of voting securities. The constraints affect the common shares of the Company.

Specifically, no resident, alone or together with associates, may hold, beneficially own or control, directly or indirectly, other than by way of security only or for purposes of distribution by an underwriter, voting securities to which are attached more than 25% of the votes than may ordinarily be cast to elect directors of Cameco. Similarly, no non-resident, alone or together with associates, may hold, beneficially own or control, directly or indirectly, other than by way of security only or for purposes of distribution by an underwriter, voting securities to which are attached more than 15% of the votes that may ordinarily be cast to elect directors of Cameco. Further, the votes attaching to securities of Cameco held, beneficially owned or controlled, directly or indirectly, by all non-residents together, and cast at any meeting of shareholders of Cameco will be counted or pro-rated so as to limit the counting of those votes to not more than 25% of the total number of votes cast by the shareholders at that meeting.

Enforcement

In order to give effect to such constraints, the Articles contain provisions for the enforcement of the restrictions relating to ownership and voting by residents and non-residents described above, including provisions for suspension of voting rights, forfeiture of dividends and other distributions to shareholders, prohibitions against the issue and transfer of securities and suspension of all remaining shareholders' rights.

The provisions allow Cameco to require holders, proposed transferees or other subscribers for voting securities and certain other persons to furnish shareholder declarations as to residence, ownership of voting securities and certain other matters relative to the enforcement of the restrictions. Cameco is precluded from issuing or registering a transfer of any voting securities where a contravention of the resident or non-resident ownership restrictions would result.

If Cameco has reason to believe, whether through shareholder declarations filed with it or its books and records or those of its registrar and transfer agent or otherwise, that voting securities are held by a shareholder in contravention of the resident or non-resident ownership restrictions, it has the power to suspend all rights of the shareholder in respect of all securities held, other than the right to transfer them, not earlier than 30 days after first sending notice to the shareholder, unless the voting securities so held have been disposed of by the shareholder and Cameco has been so advised.

Definitions

The following definitions apply for the purposes of the restrictions described above:

"*non-resident*" means:

(i) an individual, other than a Canadian citizen, who is not ordinarily resident in Canada;

(ii) a corporation incorporated, formed or otherwise organized outside Canada;

(iii) a foreign government or an agency thereof;

(iv) a corporation that is controlled by non-residents, directly or indirectly, as defined in any of (i) to (iii) above;

(v) a trust:

(A) established by a non-resident as defined in any of (ii) to (iv) above, other than a trust for the administration of a pension fund for the benefit of individuals a majority of whom are residents; or

(B) in which non-residents as defined in any of (i) to (iv) above have more than fifty percent of the beneficial interest; or

(vi) a corporation that is controlled by a trust described in (v) above;

"*resident*" means an individual, corporation, government or agency thereof or trust that is not a non-resident;

"*voting security*" means a share or other security of Cameco carrying full voting rights under all circumstances or under some circumstances that have occurred and are continuing, and includes:

(i) a security currently convertible into such a share or other security; and

(ii) currently exercisable options and rights to acquire such a share or other security or such convertible share or other security;

"*person*" includes any individual, corporation, government or agency thereof, executor, administrator or other legal representative; a person is an associate of another person if:

(i) one is a corporation of which the other is an officer or director;

(ii) one is a corporation that is controlled by the other or by a group of persons of which the other is a member;

(iii) one is a partnership of which the other is a partner;

(iv) one is a trust of which the other is a trustee;

(v) both are corporations controlled by the same person;

(vi) both are members of a voting trust or parties to an arrangement that relates to voting securities of Cameco; or

(vii) both are at the same time associates, within the meaning of any of (i) to (vi) above, of the same person; provided that:

(A) if a resident who, but for this paragraph, would be an associate of a non-resident submits to Cameco a statutory declaration stating that no voting securities are held, directly or indirectly, for a non-resident, that resident and non-resident are not associates of each other, provided the statutory declaration is not false;

(B) two corporations are not associates pursuant to (vii) above by reason only that each is an associate of the same person pursuant to (i) above;

(C) if any person appears to Cameco to hold voting securities to which are attached not more than the lesser of four one-hundredths of one percent of the votes that may ordinarily be cast to elect directors of Cameco and 10,000 such votes, that person is not an associate of any other person and no other person is an associate of that person in relation to those voting securities;

"*control*" means control in any manner that results in control in fact, whether directly through ownership of securities or indirectly through a trust, an agreement, the ownership of nay body corporate or otherwise; and

"*beneficial ownership*" includes ownership through a trustee, legal representative, agent or other intermediary.

Other Restrictions

The ENL Reorganization Act places certain other restrictions on Cameco, including prohibition against applying for continuance in another jurisdiction and a prohibition against Cameco enacting articles of incorporation or bylaws containing provisions inconsistent with the provisions included in the ENL Reorganization Act. The ENL Reorganization Act provides that the Articles must contain restrictions on Cameco including a prohibition against Cameco creating restricted shares (generally a participating share containing restrictive voting rights) and the requirement that Cameco maintain its registered office and its head office operations within the Province of Saskatchewan.

The Saskatchewan Mining Development Corporation Reorganization Act also requires Cameco to maintain its registered office and its head office operations (generally all executive, corporate planning, senior management, administrative and general management functions) within the Province of Saskatchewan.

The bylaws of the Company provide that a majority of the members of the Board of Directors of Cameco shall be resident Canadians. The Articles provide that the number of directors will be not less than three and not more than fifteen. The number of directors is presently fixed at twelve.

5% Convertible Subordinated Debentures

The 5% Convertible Subordinated Debentures (the "Convertible Debentures") are subordinated unsecured general obligations of the Company and are convertible into common shares of the Company, at the option of the holders. The Convertible Debentures are limited in aggregate principal amount to $230,000,000 and mature on October 1, 2013, unless earlier redeemed by the Company. The Convertible Debentures bear interest at the rate of 5% per annum payable semi-annually on April 1 and October 1 of each year. Interest payments will be payable by cash, or at the option of the Company, by delivery of common shares of the Company to the trustee (the "Trustee") for the Convertible Debentures, for sale on the open market and delivery of a cash amount equal to the amount payable to the holders of the Convertible Debentures.

A holder of a Convertible Debenture is entitled to convert the Convertible Debenture into common shares at any time on or prior to maturity. The conversion price for the Convertible Debentures is $21.67 per Common Share ($65.00 prior to the three for one stock split on December 31, 2004) (the "Conversion Price"), which is subject to adjustment in certain events.

The Convertible Debentures will not be redeemable prior to October 1, 2008, except as described below. On or after October 1, 2008, the Convertible Debentures will be redeemable in whole or in part, at a redemption price equal to par (the "Redemption Price") plus accrued and unpaid interest. In addition, the Convertible Debentures are redeemable, in whole but not in part, at the option of the Company for cash at a redemption price equal to par plus accrued and unpaid interest thereon, in the event that the Company has become or would become obligated to pay any additional amounts in compensation for any withholding or deduction for or on account of any Canadian taxes related to payments made under or in respect of the Convertible Debentures on behalf of holders as a result of any change in Canadian tax laws.

The Company has the right to purchase for cancellation Debentures in the market, by tender or by private contract.

The Company shall have the right to elect to issue and deliver common shares of the Company to the Trustee to raise funds in order to satisfy its obligations to pay interest on the Convertible Debentures, subject to receiving any necessary regulatory approvals to issue the common shares.

The Company may, at its option, subject to applicable regulatory approval, elect to satisfy the Redemption Price of the Convertible Debentures which are to be redeemed or the principal amount of the Convertible Debentures which have matured, as the case may be, by issuing common shares of the Company to the holders of the Convertible Debentures in lieu of or in exchange for payment of the Redemption Price in money. Any accrued and unpaid interest thereon will be paid in cash.

Upon the occurrence of certain change of control events related to the Company, the Company is required to make an offer to all holders to purchase all outstanding Convertible Debentures properly tendered pursuant to such offer for a cash price equal to 100% of the principal amount of the Convertible Debentures plus accrued and unpaid interest thereon.

Ratings of Securities

In addition to having issued common shares and the Convertible Debentures, Cameco has issued two series of senior unsecured debentures and is a frequent issuer of commercial paper. Cameco has $50 million outstanding in senior unsecured debentures that bear interest at 7% per annum and will mature July 6, 2006. Cameco also has $100 million outstanding in senior unsecured debentures that bear interest at the rate of 6.9% per annum and will mature July 12, 2006. These senior unsecured debentures are collectively referred to as “Senior Unsecured Debentures”. Commercial paper outstanding at March 1, 2005 was $190 million.

As summarized in the following table, Dominion Bond Rating Service Limited (“DBRS”) last rated the Company’s commercial paper, Senior Unsecured Debentures, and Convertible Debentures on September 29, 2004 at which time it confirmed its previous ratings of these securities. Standard & Poor’s Rating Service (“S&P”) latest rating issued on January 4, 2005 maintained its previous rating of Cameco’s commercial paper and Senior Unsecured Debentures. Moody’s Investor Service, Inc. (“Moody’s”) latest credit opinion issued on August 10, 2004 maintained its previous rating of Cameco’s Senior Unsecured Debentures.

Security	DBRS(1)	S&P(2)	Moody’s(3)
Commercial Paper	R-1 (low)	A-2	Not Rated
Senior Unsecured Debentures	A (low)	BBB+	Baa1
Convertible Debentures	BBB (high)	Not Rated	Not Rated

(1) As at September 29, 2004

(2) As at January 4, 2005

(3) As at August 10, 2004

The credit ratings provided by DBRS, S&P and Moody’s (“Rating Agencies”) are not recommendations to buy, hold or sell the securities, as such rating do not comment on the market price or suitability for an individual investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if in its judgment circumstances so warrant. Cameco provides the Rating Agencies with confidential, in-depth information in support of the rating process.

The rating ranges, definitions of the rating categories and the relative rankings assigned within the respective rating classification systems are as follows:

Commercial Paper

Commercial paper rating scales are meant to give an indication of the risk that a borrower will not fulfill its near-term debt obligations in a timely manner. DBRS rates commercial paper by rating categories ranging from a high of R-1 to a low of R-3. The rating of R-1 (low) from DBRS is at the lower end of the R-1 category. An R-1 (low) rating is characterized as having ‘satisfactory credit quality’ and is the third highest of nine available credit ratings. S&P rates commercial paper by rating categories ranging from a high of A-1 to a low of C. The rating of A-2 from

S&P is characterized as having ‘satisfactory capacity to meet its financial commitments on the obligation’ and is the second highest of five available credit ratings.

Senior Unsecured Debentures

Long-term debt rating scales are meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal commitments. DBRS rates senior unsecured debt by rating categories ranging from a high of AAA to a low of C. The rating of A (low) from DBRS is at the lower end of the A category. The A category is characterized as having ‘satisfactory credit quality’ and is the third highest of nine available credit ratings. S&P rates senior unsecured debt by rating categories ranging from a high of AAA to a low of C. The rating of BBB+ from S&P is at the higher end of the BBB category. The BBB category is characterized as exhibiting ‘adequate protection parameters” and is the forth highest of nine available credit ratings. Moody’s rates long-term obligations by rating categories ranging from a high of Aaa to a low of Ca. The rating of Baa1 from Moody’s is at the higher end of the Baa category. The Baa category is characterized as being ‘subject to moderate credit risk, are considered medium-grade and as such may possess certain speculative characteristics’ and is the fourth highest of nine available credit ratings.

Convertible Debentures

Subordinated obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy. DBRS rates the subordinated convertible debentures by rating categories ranging from a high of AAA to a low of C. The rating of BBB+ from DBRS is at the higher end of the BBB category. The BBB category is characterized as having ‘adequate credit quality’ and is the fourth highest of nine available credit ratings.

Dividend Policy

At the time of the Company’s initial public offering in 1991, the board of directors of the Company established a policy of paying quarterly dividends. In December of 2004, Cameco announced that its board of directors approved a three-for-one stock split of its outstanding common shares, to be effected by way of a stock dividend. All shareholders received two additional shares for each shares owned on the record date of December 31, 2004. The board of directors also approved an increase in the annual dividend from $0.60 to $0.72($0.24 post split) beginning in 2005. This policy will be reviewed from time to time in light of the Company’s financial position and other factors considered relevant by the board of directors.

The following table sets forth the cash dividends per common share for each of the most recently completed financial years (not adjusted for the December 31, 2004 stock split).

	2004	2003	2002
Cash dividends declared per common share	$ 0.60	$ 0.60	$ 0.50

2004 CONSOLIDATED FINANCIAL STATEMENTS

The Company’s 2004 Consolidated Financial Statements are attached as Appendix “A”.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Company’s Management’s Discussion and Analysis is attached as Appendix “B”.

MARKET FOR SECURITIES

The Company’s common shares are listed and traded on The Toronto Stock Exchange (CCO) and the New York Stock Exchange (CCJ).

Also listed and traded on The Toronto Stock Exchange are the Company’s 5% Convertible Subordinated Debentures due October 1, 2013 (CCO.DB).

The Canadian registrar and transfer agent for the Company’ common shares and 5% Convertible Subordinated Debentures is CIBC Mellon Trust Company through its offices at 320 Bay Street, P.O. Box 1, Toronto, Ontario

M5H 4A6. The US registrar and transfer agent for the Company's common shares is Mellon Investor Services LLC through its offices at 85 Challenger Road, Ridgefield Park, New Jersey, 07660.

Price Range and Trading Volume of Common Shares

The following table sets forth the range of high and low closing prices and trading volume for the common shares of the Company for the periods indicated on the TSX. The values presented in the table below have been adjusted to reflect the December 31, 2004 stock split.

	TSX		
2004	**High**	**Low**	**Volume**
January	$ 26.00	$ 19.40	26,585,163
February	$ 21.58	$ 19.08	25,189,239
March	$ 22.17	$ 19.86	24,225,084
April	$ 22.37	$ 19.82	19,670,082
May	$ 23.92	$ 19.84	21,942,240
June	$ 26.29	$ 23.08	21,090,180
July	$ 26.63	$ 24.78	13,124,808
August	$ 28.95	$ 25.50	14,424,948
September	$ 34.00	$ 28.55	23,687,166
October	$ 36.36	$ 32.44	20,472,009
November	$ 40.06	$ 32.75	18,082,605
December	$ 42.26	$ 34.33	16,529,477

Price Range and Trading Volume of 5% Convertible Subordinated Debentures due October 1, 2013

The following table sets forth the range of high and low closing prices and trading volume for the 5% Convertible Subordinated Debentures due October 1, 2013 for the periods indicated on the TSX. The high and low prices are quoted based upon $100 principal or par value amount. The volume is the total number to $100 par value debentures traded during the period.

	TSX		
2004	**High**	**Low**	**Volume**
January	$ 137.00	$ 117.50	245,250
February	$ 128.00	$ 117.50	219,040
March	$ 130.00	$ 120.25	108,140
April	$ 127.80	$ 121.00	188,880
May	$ 133.00	$ 115.00	144,140
June	$ 142.50	$ 129.00	305,500
July	$ 142.02	$ 132.50	39,950
August	$ 155.00	$ 140.00	108,620
September	$ 172.00	$ 151.57	596,542
October	$ 182.10	$ 165.03	48,370
November	$ 199.00	$ 168.00	80,560
December	$ 207.50	$ 175.00	34,870

DIRECTORS AND OFFICERS

Directors Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment	Director Since (1)
JOHN S. AUSTON (2, 6) West Vancouver, British Columbia, Canada	Geologist; Corporate Director, 2000 to present; prior: President, Director and Chief Executive Officer, Ashton Mining of Canada Inc. 1996-2000.	1999
JOE F. COLVIN (4, 6) Kiawah Island, South Carolina, U.S.A.	Corporate Director and President Emeritus of Nuclear Energy Institute, February 16, 2005 to present; prior: President and Chief Executive Officer, Nuclear Energy Institute 1996 to February 15, 2005.	1999
HARRY D. COOK (4) La Ronge, Saskatchewan, Canada	Chief, Lac La Ronge Indian Band, 1987 until March 31, 2005, when he retires; prior: President, Kitsaski Management Limited Partnership, Prince Albert Grand Council Executive Board Member, Federation of Saskatchewan Indian Nations Taxation Commission Board Member and Indian Government Commission member, retiring effective March 31, 2005.	1992
JAMES R. CURTISS (4, 5) Brookeville, Maryland, U.S.A.	Lawyer, Partner, Winston & Strawn, 1993 to present; prior: Commissioner US Nuclear Regulatory Commission 1988-1993.	1994
GEORGE S. DEMBROSKI (5, 6) Toronto, Ontario, Canada	Corporate Director, 1998 to present; prior: Vice-Chairman and Director, RBC Dominion Securities Limited (investment dealer) 1981-1998.	1996
GERALD W. GRANDEY President and Chief Executive Officer Saskatoon, Saskatchewan, Canada	Assumed current position 2003; prior: President 2000-2002; Executive Vice-President 1997-2000.	2000
NANCY E. HOPKINS (3) Saskatoon, Saskatchewan, Canada	Lawyer, Partner, McDougall Gauley, 1984 to present. Effective January 2001 Gauley & Company merged with McDougall Ready to form McDougall Gauley.	1992
OYVIND HUSHOVD (2, 3, 5) Toronto, Ontario, Canada	Chairman and Chief Executive Officer of Gabriel Resources Ltd., May 2003 to present; prior: President and Chief Executive Officer of Falconbridge Ltd. 1996 to 2002.	2003

Directors

Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment	Director Since (1)
J.W. GEORGE IVANY (3, 5, 6) Kelowna, British Columbia, Canada	Corporate Director, 1999 to present; prior: President and Vice-Chancellor, University of Saskatchewan 1989-1999.	1999
A. NEIL McMILLAN (2, 3, 4) Saskatoon, Saskatchewan, Canada	President, Claude Resources Inc. 1996 to present.	2001
ROBERT W. PETERSON (3, 4, 5) Regina, Saskatchewan, Canada	President and Chief Operating Officer Denro Holdings Ltd. 1994 to present.	1994
VICTOR J. ZALESCHUK (3, 4, 5, 6, 7) Calgary, Alberta, Canada	Corporate Director, November 2001 to present; prior: President and Chief Executive Officer, Nexen Inc. (formerly Canadian Occidental Petroleum Ltd.) from June 1, 1997 to June 1, 2001.	2001

(1) Each director will hold office until the next annual meeting unless such director's office is earlier vacated in accordance with the corporate law requirements applicable to the Company from time to time.

(2) Member of the reserves oversight committee.

(3) Member of the audit committee.

(4) Member of the safety, health and environment committee.

(5) Member of the human resources and compensation committee.

(6) Member of the nominating, corporate governance and risk committee.

(7) Appointed audit committee financial expert.

Officers Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment for Past Five Years
VICTOR J. ZALESCHUK Chair Calgary, Alberta, Canada	Corporate Director, November 2001 to present; prior: President and Chief Executive Officer, Nexen Inc. (formerly Canadian Occidental Petroleum Ltd.) from June 1997 to June 2001.
GERALD W. GRANDEY President and Chief Executive Officer Saskatoon, Saskatchewan, Canada	Assumed current position 2003; prior: President, 2000-2002; Executive Vice-President 1997-2000.
TERRY V. ROGERS Senior Vice-President and Chief Operating Officer Saskatoon, Saskatchewan, Canada	Assumed current position February 2003; prior: President Kumtor Operating Company, Kyrgyz Republic 1999-2003.
GEORGE B. ASSIE Senior Vice-President, Marketing and Business Development Saskatoon, Saskatchewan, Canada	Assumed current position January 2003; prior: President Cameco Inc., Eden Prairie, Minnesota 1999-2002.
O. KIM GOHEEN Senior Vice-President and Chief Financial Officer Saskatoon, Saskatchewan, Canada	Assumed current position August 2004.
RITA M. MIRWALD Senior Vice-President, Corporate Services Saskatoon, Saskatchewan, Canada	Assumed current position April 1997.
GARY M.S. CHAD Senior Vice-President, Governance, Legal and Regulatory Affairs, and Corporate Secretary Saskatoon, Saskatchewan, Canada	Assumed current position January 2000; prior: Senior General Counsel and Secretary 1990-1999.

The directors and officers of Cameco as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding common shares of Cameco.

AUDIT COMMITTEE

Audit Committee Charter

A copy of the audit committee charter is attached as Appendix “C” and is also available on the Company’s website www.cameco.com under “Governance”.

Composition of the Audit Committee

The members of the audit committee are Nancy Hopkins (chair), Oyvind Hushovd, George Ivany, Neil McMillan, Robert Peterson and Victor Zaleschuk. Each member of the committee is independent and financially literate within the meaning of Multilateral Instrument 52-110 of the Canadian Securities Administrators.

Relevant Education and Experience

Nancy Hopkins is a partner with the law firm of McDougall Gauley in Saskatoon where she concentrates her practice on corporate and commercial law and taxation. She currently serves on a number of boards. 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 Law degree from the University of Saskatchewan. Ms. Hopkins chairs the Audit Committee.

Oyvind Hushovd is the Chair and Chief Executive Officer of Gabriel Resources Ltd., a Canadian-based precious metals exploration and development company. Prior to that he was the President and Chief Executive Officer of Falconbridge Limited from 1996 to 2002. He currently serves on a number of boards of publicly traded companies. Mr. Hushovd received a Master of Economics and Business Administration from the Norwegian School of Business and a Master of Law from the University of Oslo.

George Ivany 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 of Claude Resources Inc., a gold mining and oil and gas producing company based in Saskatoon, Saskatchewan. He currently serves on the boards of two publicly traded companies 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.

Robert Peterson is the President and Chief Operating Officer of Denro Holdings Ltd., a diversified corporation involved in real estate development, investor fund management and property management. Mr. Peterson received a Bachelor of Science degree in Civil Engineering from the University of Saskatchewan.

Victor Zaleschuk is the former President and Chief Executive Officer of Nexen Inc., a publicly traded independent global energy and chemicals company. Prior to that he was the Senior Vice-President Finance and Chief Financial Officer of Nexen Inc. from 1986 to 1997. He currently serves on the board of the following publicly traded companies: Nexen Inc. and Agrium Inc. Mr. Zaleschuk is a chartered accountant and holds a Bachelor of Commerce degree from the University of Saskatchewan. Mr. Zaleschuk is chair of the board of Cameco Corporation. Mr. Zaleschuk was also appointed as the audit committee financial expert.

Fees Paid to External Auditors

Fees paid to the external auditors during the years ended December 31, 2003 and 2004 were as follows:

	2004	2003
Audit fees:		
Cameco – audit	$ 386,000	$583,000
Centerra – audit	400,500	—
Centerra – securities	275,000	—
	$1,061,500	$583,000
Audit – related fees:		
Proposed AIM Listing for AGR	—	$ 11,000
SOX 404 Scoping Project	75,000	—
Translation services	9,000	26,000
Accounting disclosure	14,000	23,000
Pensions and other	10,700	6,000
	$ 108,700	$ 60,000
Tax:		
Compliance	$ 83,800	$ 96,000
Planning and advice	55,400	127,000
	$ 139,200	$223,000
All other fees:		
Special investigation	—	$ 25,000
Total	$1,309,400	$897,000

External Audit Pre-Approval Practices

As part of Cameco's corporate governance practices, under Cameco's audit committee charter, the audit committee is required to pre-approve the audit and non-audit services performed by the external auditors. Unless a type of service is to be provided by the external auditors receives general pre-approval, it requires specific pre-approval by Cameco's audit committee or audit committee chair, or in the absence of the audit committee chair, a member of the audit committee as designated by the audit committee. All pre-approvals granted pursuant to the delegated authority must be presented by the member(s) who granted the pre-approvals to the full committee at its next meeting. The audit committee has adopted a written policy to provide procedures to implement the foregoing principles.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval (SEDAR) under the Company's name at www.sedar.com. Further additional information, including directors' and officers' remuneration and indebtedness, principal holders of Cameco securities, if any, and securities authorized for issuance under equity compensation plans can be found in Cameco's April 13, 2004 Management Proxy Circular for its May 2004 annual meeting of shareholders and will found in Cameco's Management Proxy Circular for its May 2005 annual meeting of shareholders that is expected to be available in April 2005. Such additional financial information is provided in the Company's consolidated financial statements for the fiscal year-ended December 31, 2004 and the Company's management's discussion and analysis relating to the same, which are attached as Appendices "A" and "B".

Appendix "A"

CAMECO CORPORATION

2004 CONSOLIDATED AUDITED FINANCIAL STATEMENTS

Appendix "B"

2004 MANAGEMENT'S DISCUSSION AND ANALYSIS

Appendix "C"

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, and (f) the corporation's process for monitoring compliance with laws and regulations (other than environmental and safety laws) and its code of ethics. 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 and not more than six 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 be 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 a "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 corporation's disclosure of financial information extracted from corporation's financial statements and the adequacy of such procedures. Confirm with the chief executive officer and the chief financial officer the effectiveness of disclosure controls and procedures, and whether there are any significant deficiencies in internal controls or any fraud related to management or persons who have a significant role in internal controls.

6. Review the disclosure (when such disclosure is required by applicable law) relating to the internal controls report containing a responsibility statement and management's assessment of the corporation's internal controls and procedures for financial reporting and related external auditors' attestation.

7. Receive a report, at least annually, from the strategic planning 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 of 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, to 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 environmental 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 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 law, regulatory affairs and corporate secretary on such matters as required by the code of ethics policy.

4. Monitor compliance with the code of ethics policy and the policy on compliance with laws on foreign political contributions and payments to foreign officials by, among other things, obtaining an annual report summarising statements of compliance by employees pursuant to such policies. Review the findings of any investigations of non-compliance with such policies.

5. 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 ordering 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 to the results of such review. Ensure that political and charitable donations conform with policies and budgets approved by the board.

6. Monitor management of hedging, insurance, debt and credit, make recommendations to the board respecting policies for management of such risks, and review the corporation's compliance therewith.

7. Approve 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) to 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) to 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 by the nominating, corporate governance and risk committee, 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 2

Cameco Corporation

2004 Consolidated Audited Financial Statements

CAMECO CORPORATION

2004 CONSOLIDATED FINANCIAL STATEMENTS

January 26, 2005

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 report 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.

The integrity and reliability of Cameco's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and appropriate delegation of authority and division of responsibilities. Internal accounting controls are monitored by the internal auditor. Cameco's code of ethics, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the corporation's affairs.

Our shareholders' independent auditors, KPMG LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

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.

/s/ O. Kim Goheen
O. Kim Goheen
Senior Vice-President and Chief Financial Officer

January 26, 2005

AUDITORS' REPORT

To the Shareholders of Cameco Corporation

We have audited the consolidated balance sheets of Cameco Corporation as at December 31, 2004 and 2003 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

/s/ KPMG LLP
Chartered Accountants

Saskatoon, Canada

January 26, 2005, except as to note 21(a) which is as of February 28, 2005

Cameco Corporation
CONSOLIDATED BALANCE SHEETS

As at December 31	2004 (Thousands)	(Restated) 2003
Assets		
Current assets		
Cash and cash equivalents	$ 189,532	$ 84,069
Accounts receivable	182,951	181,337
Inventories [note 3]	386,936	316,435
Supplies and prepaid expenses	90,923	49,380
Current portion of long-term receivables, investments and other [note 5]	898	54,866
	851,240	686,087
Property, plant and equipment [note 4]	2,281,418	2,119,784
Long-term receivables, investments and other [note 5]	732,262	625,317
Goodwill [note 19]	187,184	—
Total assets	**$4,052,104**	**$3,431,188**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 231,697	$ 167,002
Dividends payable	8,652	8,515
Current portion of long-term debt [note 6]	—	4,331
Current portion of other liabilities [note 8]	17,317	1,563
Future income taxes [note 13]	38,653	24,237
	296,319	205,648
Long-term debt [note 6]	518,603	601,048
Provision for reclamation [note 7]	166,941	150,444
Other liabilities [note 8]	31,086	36,196
Future income taxes [note 13]	533,024	528,250
	1,545,973	1,521,586
Minority interest	345,611	14,690
Shareholders' equity		
Share capital [note 9]	750,559	708,345
Contributed surplus [note 9]	511,674	505,400
Retained earnings	938,809	694,423
Cumulative translation account [note 10]	(40,522)	(13,256)
	2,160,520	1,894,912
Total liabilities and shareholders' equity	**$4,052,104**	**$3,431,188**

Commitments and contingencies [notes 7,16,21,22]

See accompanying notes to consolidated financial statements.
Approved by the board of directors

Cameco Corporation
CONSOLIDATED STATEMENTS OF EARNINGS

For the year ended December 31	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Revenue from			
Products and services	$1,048,487	$ 826,946	$748,334
Expenses			
Products and services sold	623,125	538,233	486,155
Depreciation, depletion and reclamation	180,229	125,866	118,327
Administration	69,565	47,610	41,693
Exploration	35,972	21,913	21,532
Interest and other [note 11]	14,264	16,653	7,612
Research and development	1,911	1,717	2,257
Gain on sale of assets	(1,958)	—	(2,670)
	923,108	751,992	674,906
Earnings from operations	125,379	74,954	73,428
Earnings from Bruce Power [note 16]	120,722	107,921	15,769
Other income (expenses) [note 12]	133,421	429	(878)
Earnings before income taxes and minority interest	379,522	183,304	88,319
Income tax expense (recovery) [note 13]	73,285	(21,443)	41,953
Minority interest	27,452	(3,416)	(871)
Net earnings	**$ 278,785**	**$ 208,163**	**$ 47,237**
Basic earnings per common share [note 23]	**$ 1.63**	**$ 1.24**	**$ 0.28**
Diluted earnings per common share [note 23]	**$ 1.56**	**$ 1.22**	**$ 0.28**

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Retained earnings at beginning of year,			
As previously reported	$665,377	$ 494,341	$478,700
Change in accounting policy for financial instruments [note 2]	29,046	25,569	21,855
As restated	$694,423	$ 519,910	$500,555
Net earnings	278,785	208,163	47,237
Dividends on common shares	(34,399)	(33,650)	(27,882)
Retained earnings at end of year	**$938,809**	**$ 694,423**	**$519,910**

See accompanying notes to consolidated financial statements.

Cameco Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31	2004	(Restated) 2003 (Thousands)	(Restated) 2002
Operating activities			
Net earnings	$ 278,785	$ 208,163	$ 47,237
Items not requiring (providing) cash:			
Depreciation, depletion and reclamation	180,229	125,866	118,327
Provision for future taxes [note 13]	50,234	(31,662)	31,684
Deferred charges (revenue) recognized	(19,085)	9,331	1,375
Unrealized gains on derivatives	(7,217)	—	—
Stock-based compensation [note 17]	7,206	2,439	—
Gain on sale of assets	(1,958)	—	(2,670)
Earnings from Bruce Power	(120,722)	(107,921)	(15,769)
Equity in (earnings) loss from associated companies [note 12]	(990)	1,494	1,083
Other income	(124,050)	—	—
Minority interest	27,452	(3,416)	(871)
Other operating items [note 14]	(41,842)	45,462	60,492
Cash provided by operations	**228,042**	**249,756**	**240,888**
Investing activities			
Acquisition of net business assets, net of cash acquired	(3,717)	—	—
Additions to property, plant and equipment	(148,273)	(166,840)	(97,895)
Increase in long-term receivables, investments and other	(10,466)	(296,608)	(47,205)
Decrease in long-term receivables, investments and other	—	—	58,296
Proceeds on sale of property, plant and equipment	1,769	242	101
Cash used in investing	**(160,687)**	**(463,206)**	**(86,703)**
Financing activities			
Short-term financing	14,544	—	—
Decrease in debt	(169,083)	(25,848)	(130,295)
Increase in debt	100,300	58,659	5,987
Restricted cash	—	342	11,138
Issue of convertible debentures, net of issue costs	—	223,032	—
Issue of shares	41,281	27,411	10,903
Subsidiary issue of shares	101,234	—	—
Dividends	(34,262)	(32,275)	(27,944)
Cash provided by (used in) financing	**54,014**	**251,321**	**(130,211)**
Increase in cash during the year	121,369	37,871	23,974
Exchange rate changes on foreign currency cash balances	(15,906)	(11,898)	385
Cash at beginning of year	84,069	58,096	33,737
Cash at end of year	**$ 189,532**	**$ 84,069**	**$ 58,096**
Supplemental cash flow disclosure			
Interest paid	$ 35,968	$ 31,026	$ 33,632
Income taxes paid	$ 18,262	$ 11,537	$ 5,309

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
For the years ended December 31, 2004, 2003 and 2002

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 and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries. The company has an interest in the Bruce Power electrical generation plant in Ontario. Cameco's 52.7% subsidiary Centerra Gold Inc. ("Centerra") is involved in the exploration for and the development, mining and sale of gold.

2. Accounting Policies

(a) Significant Accounting Policies

A summary of significant accounting policies follows the notes to the consolidated financial statements.

(b) Changes in Accounting Policies

(i) Financial Instruments

Effective January 1, 2004, Cameco has adopted the amendments to CICA Handbook Section 3860 Financial Instruments. This change in accounting policy was applied retroactively and, accordingly, the consolidated financial statements of prior periods were restated. The amendments to this section address the balance sheet presentation of financial instruments as liabilities or equity. Accordingly, amounts previously reflected as equity charges are now recorded as interest expense. In addition, an increased amount of interest has been capitalized to property, plant and equipment. The cumulative effect of the change in policy on the balance sheets and statements of earnings is as follows:

	2003	2002
	(Thousands)	
Long-term receivables, investments and other	$ 14,067	$ 7,122
Property, plant and equipment	49,233	43,339
	$ 63,300	**$ 50,461**
Future income taxes	$ 26,576	$ 21,204
Long-term debt	361,670	197,450
Shareholders' equity	(324,946)	(168,193)
	$ 63,300	**$ 50,461**
Net earnings	**$ 3,477**	**$ 3,714**
Earnings per share	**$ 0.02**	**$ 0.02**

For the year ended December 31, 2004, the change in policy had a positive impact on net earnings of $7,100,000, which caused a $0.04 change in the basic earnings per share.

(ii) Hedging Relationships

Effective January 1, 2004, Cameco adopted the new Canadian Accounting Guideline, Hedging Relationships, which established new criteria for hedging relationships in effect on or after January 1, 2004. To qualify for hedge accounting, the hedging relationship must be appropriately documented and there must be reasonable assurance, both at the inception and throughout the term of the hedge, that the hedging relationship will be effective. Effectiveness requires a high degree of correlation of changes in fair values or cash flows between the hedged item and the hedge. The adoption of this accounting guideline had no material impact on the consolidated financial statements.

3. Inventories

	2004	2003
	(Thousands)	
Uranium		
Concentrate	$312,042	$260,211
Broken ore	12,123	9,680
	324,165	269,891
Conversion	36,098	44,472
Gold		
Finished	12,651	297
Broken ore	14,022	1,775
	26,673	2,072
Total	**$386,936**	**$316,435**

4. Property, Plant and Equipment

	Cost	Accumulated Depreciation and Depletion	2004 Net	(Restated) 2003 Net
			(Thousands)	
Uranium				
Mining	$2,649,862	$ 1,297,333	$1,352,529	$1,397,118
Non-producing	446,753	—	446,753	389,605
Conversion	285,243	150,574	134,669	126,971
Gold				
Mining	833,032	511,831	321,201	55,930
Non-producing	2,970	—	2,970	130,925
Other	40,374	17,078	23,296	19,235
Total	**$4,258,234**	**$ 1,976,816**	**$2,281,418**	**$2,119,784**

5. Long-Term Receivables, Investments and Other

	2004	(Restated) 2003
	(Thousands)	
Bruce Power L.P. [note 16]		
Interest in Bruce Power L.P.	$569,013	$456,520
Loan receivable	75,195	77,028
Kumtor Gold Company		
Subordinated loan - principal	—	52,590
Subordinated loan - interest	—	2,261
Reclamation trust fund	4,893	1,677
Investments in associated companies		
Investment in Technology Commercialization International, Inc.	2,647	4,889
Investment in UEX Corporation (market $81,054)	8,339	3,791
Portfolio investments		
Energy Resources of Australia Ltd (market $79,000)	18,208	18,208
General Hydrogen Corporation	6,323	6,323
Deferred charges		
Debt issue costs	6,934	14,738
Gold hedges	9,894	5,724
Currency hedges	—	234
Investment in Huron Wind L.P.	2,616	2,725
Advances receivable	15,104	16,693
Accrued pension benefit asset [note 18]	10,132	10,630
Other	3,862	6,152
	733,160	680,183
Less current portion	(898)	(54,866)
Net	**$732,262**	**$625,317**

6. Long-Term Debt

	2004	(Restated) 2003
	(Thousands)	
Convertible debentures	$202,370	$200,120
Commercial paper	166,233	65,934
Debentures	150,000	150,000
Preferred securities	—	161,550
Kumtor Gold Company		
Senior debt	—	7,324
Subordinated debt	—	8,616
Equipment loan	—	11,835
	518,603	605,379
Less current portion	—	(4,331)
Net	**$518,603**	**$601,048**

On September 25, 2003 the company issued unsecured convertible debentures in the amount of $230,000,000. The debentures bear interest at 5% per annum, mature on October 1, 2013, and at the holder's option are convertible into common shares of Cameco. The fair value of the conversion option associated with the convertible debentures on the date of issuance was $30,473,000 [note 9], resulting in an effective interest rate of 6.85%. As a result of the change in accounting policy regarding financial instruments, the amount is reflected as contributed surplus. Following Cameco's three-for-one stock split on December 29, 2004, the conversion price is $21.67 per share, a rate of approximately 46.2 common shares per $1,000 of convertible debentures. Interest is payable semi-annually in arrears on April 1 and October 1. The debentures are redeemable by the company beginning October 1, 2008 at a redemption price of par plus accrued and unpaid interest.

The fair value of the outstanding convertible debentures is based on the quoted market price of the debentures at December 31, 2004 and was approximately $477,250,000.

Cameco has a $500,000,000 five-year unsecured revolving credit facility that is available until November 30, 2009. Cameco may borrow directly from investors by issuing commercial paper. Commercial paper outstanding at December 31, 2004 was $166,233,000 (Cdn) (2003 - $61,419,000 (Cdn) and $3,493,000 (US)) and bears interest at an average rate of 2.5% (2003 - 2.6%). These amounts are classified as long-term debt.

Cameco has $50,000,000 outstanding in senior unsecured debentures that bear interest at a rate of 7.0% per annum and will mature July 6, 2006. Cameco also has $100,000,000 outstanding in senior unsecured debentures that bear interest at a rate of 6.9% per annum and will mature July 12, 2006.

Cameco had issued $125,000,000 (US), 8.75% preferred securities in denominations of $25 (US) each due September 30, 2047 accruing interest from the date of issuance payable quarterly commencing December 31, 1998.

On December 17, 2004, Cameco redeemed all of the outstanding $125,000,000 (US) of preferred securities. As a result of the redemption, Cameco recorded a pre-tax charge of $6,817,000 (Cdn) to net earnings [note 11] for the remaining unamortized portion of the issue costs.

Cameco has $243,200,000 ($165,900,000 (Cdn) and $64,200,000 (US)) in committed letter of credit facilities. Outstanding letters of credit at December 31, 2004 amounted to $203,570,000 (2003 - $202,745,000). The majority of the letters of credit relate to future decommissioning and reclamation liabilities [note 7].

The table below represents currently scheduled maturities of long-term debt over the next five years.

	(Thousands)
2005	$ —
2006	150,000
2007	—
2008	—
2009	166,233
Thereafter	202,370
Total	**$ 518,603**

7. Provision for Reclamation

Cameco's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed 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 $237,000,000. These estimates are reviewed by Cameco technical personnel at least every two years or more frequently as required by regulatory agencies. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of $163,643,000 in the form of letters of credit to satisfy current regulatory requirements.

Following is a reconciliation of the total liability for asset retirement obligations:

	2004	2003	2002
		(Thousands)	
Balance, beginning of year	$150,444	$159,344	$138,445
Acquisition of Kumtor interest [note 20]	14,852	—	—
Additions to liabilities	2,074	—	19,600
Liabilities settled	(4,357)	(13,214)	(6,878)
Accretion expense	9,246	8,757	8,077
Impact of foreign exchange	(5,318)	(4,443)	100
Balance, end of year	**$166,941**	**$150,444**	**$159,344**

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 - $237,000,000.

(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 2013.

(iii) Discount rates - 7.5% for operations in North America; 6.8% for operations in Kyrgyzstan; 8.5% for operations in Mongolia.

The asset retirement obligations liability is comprised of:

	2004	2003
	(Thousands)	
Uranium	$ 96,803	$ 92,279
Conversion	47,090	48,706
Gold	23,048	9,459
Total	**$166,941**	**$150,444**

8. Other Liabilities

	2004	2003
	(Thousands)	
Deferred revenue		
Currency hedges	$ 22,975	$24,722
Gold hedges	—	3,377
Short-term financing	14,544	—
Accrued post-retirement benefit liability [note 18]	4,460	3,389
Other	6,424	6,271
	48,403	37,759
Less current portion	(17,317)	(1,563)
Net	**$ 31,086**	**$36,196**

9. Share Capital

On December 9, 2004, the Board of Directors of Cameco approved a split of the company's outstanding common shares on a three-for-one basis. The stock split was effected in the form of a stock dividend of two additional common shares for each share owned by shareholders of record at the close of business on December 31, 2004. The company's common shares commenced trading on a split basis on December 29, 2004 on the Toronto Stock Exchange and January 7, 2005 on the New York Stock Exchange. All equity-based benefit plans have been adjusted to reflect the stock split. All share and per-share data have been adjusted to reflect the stock split. If this data had not been adjusted, basic earnings per common share would have been $4.89 (2003 - $3.71; 2002 - $0.85).

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	2004	(Restated) 2003	(Restated) 2002
		(Number of Shares)	
Beginning of year	170,308,269	167,957,619	167,014,320
Issued:			
Stock option plan [note 17]	2,731,800	2,350,650	943,299
Issued share capital	**173,040,069**	**170,308,269**	**167,957,619**

Amount	2004	2003	2002
		(thousands)	
Beginning of year	$711,063	$685,491	$676,404
Issued:			
Stock option plan [note 17]	40,082	25,572	9,087
Issued share capital	751,145	711,063	685,491
Less loans receivable [note 17]	(586)	(2,718)	(4,557)
End of year	**$750,559**	**$708,345**	**$680,934**

(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) Contributed Surplus

	2004	2003
	(Thousands)	
Beginning of year		
As previously reported	$505,400	$472,488
Change in accounting policy for financial instruments [notes 2, 6]	—	30,473
As restated	505,400	502,961
Stock-based compensation [note 17]	7,206	2,439
Options exercised [note 17]	(932)	—
End of year	**$511,674**	**$505,400**

10. Cumulative Translation Account

The balance represents the cumulative unrealized net exchange loss on Cameco's net investments in foreign operations and on the foreign currency debt designated as hedges of the net investments.

11. Interest and Other

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Interest on long-term debt	$ 40,014	$ 38,901	$ 31,715
Redemption of preferred securities	6,817	—	—
Other interest and financing charges	3,870	2,221	2,039
Foreign exchange (gains) losses	331	3,620	(1,648)
Mark-to-market loss	—	—	1,811
Unrealized gains on derivatives	(7,217)	—	—
Interest income	(4,819)	(6,776)	(6,842)
Capitalized interest	(24,732)	(21,313)	(19,463)
Net	**$ 14,264**	**$ 16,653**	**$ 7,612**

As a result of the Kumtor pit wall failure in 2002, certain gold contracts designated as hedges of Kumtor's gold production were no longer effective. Mark-to-market losses on these contracts have been expensed.

12. Other Income (Expenses)

	2004	2003	2002
		(Thousands)	
Restructuring of gold business	$122,946	$ —	$ —
South Texas Project break fee	8,102	—	—
Dividends on portfolio investments	1,383	1,923	205
Equity in earnings (loss) of associated companies	990	(1,494)	(1,083)
Net	**$133,421**	**$ 429**	**$ (878)**

13. Income Taxes

The significant components of future income tax assets and liabilities at December 31 are as follows:

	2004	(Restated) 2003
	(Thousands)	
Assets		
Property, plant and equipment	$ 87,203	$ 38,409
Provision for reclamation	49,903	44,129
Foreign exploration and development	32,479	37,566
Other	5,621	743
Future income tax assets before valuation allowance	175,206	120,847
Valuation allowance	(95,500)	(67,499)
Future income tax assets, net of valuation allowance	**$ 79,706**	**$ 53,348**
Liabilities		
Property, plant and equipment	$568,275	$551,481
Inventories	7,511	5,060
Long-term investments and other	75,597	49,294
Future income tax liabilities	**$651,383**	**$605,835**
Net future income tax liabilities	**$571,677**	**$552,487**
Less current portion	(38,653)	(24,237)
	$533,024	**$528,250**

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:

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Earnings before income taxes and minority interest	$379,522	$183,304	$ 88,319
Combined federal and provincial tax rate	43.5%	44.1%	45.4%
Computed income tax expense	165,092	80,837	40,097
Increase (decrease) in taxes resulting from:			
Change in tax legislation	—	(81,300)	—
Provincial royalties and other taxes	5,541	7,380	8,883
Federal resource allowance	2,251	(1,506)	(5,918)
Manufacturing and processing deduction	(7,439)	(8,443)	(283)
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(61,398)	(18,968)	(7,379)
Non-taxable portion of capital gain	(28,448)	—	—
Change in valuation allowance	(11,185)	—	—
Large corporations and other taxes	5,780	4,988	4,521
Other	3,091	(4,431)	2,032
Income tax expense (recovery)	**$ 73,285**	**$ (21,443)**	**$ 41,953**

In 2003, the federal government introduced amendments to the Canadian Income Tax Act which provided for a reduction in the corporate tax rate on income from resource activities. The cumulative effect of the change in income tax legislation on Cameco's future income tax liability was a reduction of $86,200,000.

In 2003, the Ontario government introduced amendments to the Corporations Tax Act which provided for an increase in the corporate tax rate on all income. The cumulative effect of the change in income tax legislation on Cameco's future income tax liability was an increase of $4,900,000.

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Current income taxes			
Canada	$15,310	$ 6,984	$ 7,895
United States	1,348	—	—
Other	6,393	3,235	2,374
	$23,051	**$ 10,219**	**$ 10,269**
Future income taxes (recovery)			
Canada	$57,329	$ (30,786)	$ 32,501
United States	(5,107)	—	—
Other	(1,988)	(876)	(817)
	$50,234	**$ (31,662)**	**$ 31,684**
Net	**$73,285**	**$ (21,443)**	**$ 41,953**

14. Statements of Cash Flows

Other Operating Items

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Changes in non-cash working capital:			
Accounts receivable	$ 4,660	$ 8,329	$ 27,601
Inventories	(51,913)	(11,590)	10,932
Supplies and prepaid expenses	(16,629)	(3,649)	(5,082)
Accounts payable and accrued liabilities	19,907	31,989	22,267
Hedge position settlements	3,634	30,852	14,794
Reclamation payments	(5,186)	(9,903)	(6,878)
Other	3,685	(566)	(3,142)
Total	**$(41,842)**	**$ 45,462**	**$ 60,492**

15. Joint Ventures

Cameco conducts a portion of its exploration, development, mining and milling activities through joint ventures. Cameco's significant uranium joint venture interests are comprised of:

Producing:	
McArthur River	69.81%
Key Lake	83.33%
Non-producing:	
Cigar Lake	50.03%
Inkai	60.00%

Uranium 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 majority of the uranium mining and development property, plant and equipment as disclosed in note 4 are held in joint ventures.

Prior to the acquisition of the remaining 66.67% interest in Kumtor Gold Company (KGC) [note 20], Cameco's gold joint venture interest was comprised of a 33.33% interest in KGC. Cameco proportionately consolidated its 33.33% interest in KGC. KGC obtains revenue directly from the sale of products. Cameco's share of the assets and liabilities, revenue and expenses and cash flows relating to the Kumtor joint venture was as follows:

	2003 (Thousands)
Current assets	$ 27,795
Property, plant and equipment	61,771
Total assets	**$ 89,566**
Current liabilities	$ 7,458
Long-term liabilities	51,305
Equity	30,803
Total liabilities and equity	**$ 89,566**

	2003	2002 (Thousands)
Revenues	$109,287	$ 82,361
Expenses	(99,863)	(92,036)
Net earnings (loss)	**$ 9,424**	**$ (9,675)**

Prior to the acquisition of the remaining interest in KGC [note 20], Cameco's proportionate share of earnings in 2004 was $17,222,000.

Cash provided by (used in):

	2003	2002 (Thousands)
Operating activities	$ 36,810	$ 13,142
Investing activities	(4,112)	(4,716)
Financing activities	(29,033)	(16,013)
Increase (decrease) in cash during the year	**$ 3,665**	**$ (7,587)**

16. Investment in Bruce Power L.P. (Bruce Power)

(a) Investment

On February 14, 2003, Cameco, TransCanada PipeLines Limited (TransCanada) and BPC Generation Infrastructure Trust (BPC), amongst others, purchased a 79.8% interest in Bruce Power from British Energy plc (British Energy). Upon closing, Cameco increased its ownership interest in Bruce Power from 15% to 31.6%. TransCanada and BPC each hold, directly or indirectly, a 31.6% interest in Bruce Power with the Power Workers' Union Trust holding a 4% interest and the Society of Energy Professionals Trust holding a 1.2% interest. Cameco is using the equity method to account for this investment.

Cameco's purchase price for the additional interest in Bruce Power was approximately $204,466,000 including final closing adjustments. The purchase price was initially financed with cash and debt. The purchase price of Cameco's incremental 16.6% has been allocated as follows:

	(Thousands)
Net book value of assets acquired	$ 149,056
Excess of fair value over book value of property, plant and equipment	144,545
Valuation of Bruce Power sales agreements	(68,593)
Pension liability	(20,542)
	$ 204,466

The amount allocated to the investment in Bruce Power includes an excess purchase price of approximately $144,545,000 over Cameco's incremental share of the book value of the underlying net assets. This amount will be amortized to income based on the expected useful life of the Bruce Power assets which extends to 2018. The valuation of Bruce Power sales contracts will be amortized to income over the remaining term of the underlying sales contracts, which extend to 2007. The approximate amount of pre-tax income relating to the amortization of the fair value allocated to these contracts is as follows:

	(Thousands)
2003	$ 20,071
2004	19,341
2005	13,133
2006	15,192
2007	856
Total	**$ 68,593**

The amount allocated to the pension liability will be amortized to income over the 11 year expected average remaining service life of Bruce Power employees, resulting in an annual pre-tax amortization to income of $1,867,000.

In addition, Cameco, TransCanada and BPC loaned Bruce Power funds to repay $225,000,000, plus accrued interest, in deferred lease payments to Ontario Power Generation Inc. (OPG). Cameco's share was $75,000,000 plus accrued interest. This loan is due February 14, 2008 and bears interest at 10.5% per annum.

Bruce Power 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.

Cameco, TransCanada and BPC have assumed the obligations to provide financial guarantees on behalf of the partnership. Cameco has provided the following financial assurances, with varying terms that range from 2004 to 2018:

(i) Licensing assurances to Canadian Nuclear Safety Commission of $23,666,667.

(ii) Guarantees to customers under power sale agreements of up to $121,000,000. At December 31, 2004, Cameco's actual exposure under these guarantees was $48,410,000.

(iii) Termination payments to OPG pursuant to the lease agreement of $58,333,000.

Under the 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 Bruce Power as licensed operator of the Bruce facility. OPG is also responsible to manage radioactive waste associated with decommissioning of the Bruce nuclear plants.

Cameco, TransCanada, and BPC have assumed all obligations regarding Bruce Power's post-retirement and post-employment benefit programs. The plans, which cover all of Bruce Power's employees, include pension, group life insurance, health care and long-term disability benefits. At December 31, 2004, the pension benefit plans' accrued benefit assets totaled $111,000,000 (2003 - $89,000,000). At December 31, 2004, the other unfunded benefit plans' accrued benefit liability totaled $254,000,000 (2003 - $219,000,000).

(b) Fuel Supply Agreements

Cameco has entered into fuel supply agreements with Bruce Power for the procurement of fabricated fuel. Under these agreements, Cameco will supply uranium and conversion services and finance the purchase of fabrication services. Contract terms are at market rates and on normal trade terms. During 2004, sales of uranium and conversion services to Bruce Power amounted to $24,786,000 (2003 - $25,462,000), approximately 2.4% (2003 - 3.1%) of Cameco's total revenue. At December 31, 2004, amounts receivable under these agreements totaled $20,887,000 (2003 - $30,193,000).

(c) Supplementary Information – Bruce Power L.P. (100%)

Balance Sheets

(Millions)	2004	2003
Assets		
Current assets	$ 390	$ 316
Property, plant and equipment	2,233	2,034
Long-term receivables and investments	172	173
	$ 2,795	**$ 2,523**
Liabilities and Partners' Capital		
Current liabilities	$ 246	$ 329
Long-term debt	1,126	1,108
	1,372	1,437
Partners' capital	1,423	1,086
	$ 2,795	**$ 2,523**

Statements of Earnings

(Millions)	2004	2003	2002
Revenue	$ 1,583	$ 1,208	$ 919
Operating costs	1,178	853	750
Earnings before interest and taxes	405	355	169
Interest	67	69	63
Earnings before taxes	338	286	106
Cameco's share (i)	107	77	16
Adjustments (ii)	14	31	—
Cameco's share of earnings before taxes	**$ 121**	**$ 108**	**$ 16**

(i) Cameco's interest in Bruce Power earnings prior to February 14, 2003 was 15%. Subsequent to the acquisition of an additional 16.6% interest on February 14, 2003, Cameco's share is 31.6%.

(ii) In addition to its proportionate share of earnings from Bruce Power, Cameco records certain adjustments to account for any differences in accounting policy and to amortize fair values assigned to assets and liabilities at the time of acquisition.

Statements of Cash Flows

(Millions)	2004	2003	2002
Cash provided by operations	$ 439	$ 387	$ 185
Cash used in investing	(359)	(528)	(432)
Cash (used in) provided by financing	(98)	131	220

17. 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 directors, 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 Toronto Stock Exchange 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 granted prior to 1999 expire 10 years from the date of the grant of the option.

Prior to 1999, participants were eligible to receive loans from Cameco to assist in the purchase of common shares pursuant to the exercise of options. The maximum term of the loans was 10 years from the date of the grant of the related option. The loans bear interest at a rate equivalent to the regular dividends paid on the common shares to which the loans were provided. Common shares purchased by way of a company loan are held in escrow in the account of the option holder and are pledged as security for the respective loan until the loan has been repaid in full. Outstanding loans are shown as a reduction of share capital [note 9].

The aggregate number of common shares that may be issued pursuant to the Cameco stock option plan shall not exceed 15,730,209, of which 8,069,637 shares have been issued.

Stock option transactions for the respective years were as follows:

	2004	(Restated) 2003	(Restated) 2002
		(Number of Shares)	
Beginning of year	6,120,000	6,671,250	6,587,349
Options granted	2,085,000	2,119,050	1,467,150
Options exercised [note 9]	(2,731,800)	(2,350,650)	(943,299)
Options cancelled	(604,530)	(319,650)	(439,950)
End of year	**4,868,670**	**6,120,000**	**6,671,250**
Exercisable	**1,626,900**	**2,862,300**	**3,994,650**

Upon exercise of certain existing options, additional options in respect of 148,950 shares would be granted.

Weighted average exercise prices were as follows:

	2004	(Restated) 2003	(Restated) 2002
Beginning of year	$ 13.41	$ 12.99	$ 12.45
Options granted	22.84	12.86	14.63
Options exercised	14.40	10.88	9.63
Options cancelled	26.33	19.35	17.44
End of year	**$ 15.28**	**$ 13.41**	**$ 12.99**
Exercisable	**$ 12.53**	**$ 14.60**	**$ 13.80**

Total options outstanding and exercisable at December 31, 2004 were as follows:

2004	Options Outstanding			Options Exercisable	
Option Price Per Share	Number	Weighted Average Remaining Life	Weighted Average Exercisable Price	Number	Weighted Average Exercisable Price
$5.00 - $11.67	725,550	4	$ 8.81	725,550	$ 8.81
11.68 - 18.33	2,482,650	6	13.11	785,250	14.16
18.34 - 25.17	1,651,320	7	21.29	116,100	24.74
25.18 - 33.23	9,150	10	31.14	—	—
	4,868,670			**1,626,900**	

The foregoing options have expiry dates ranging from February 14, 2005 to November 2, 2014.

CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, establishes a fair value based method of accounting for stock-based compensation plans which Cameco has adopted effective January 1, 2003.

For the year ended December 31, 2004, Cameco has recorded compensation expense of $7,206,000 (2003- $2,439,000) with an offsetting credit to contributed surplus to reflect the estimated fair value of stock options granted to employees in 2004.

Since Cameco's stock option awards vest over three years, the compensation expense included in the determination of net income for 2004 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of CICA Section 3870.

Cameco has applied the pro forma disclosure provisions of the standard to awards granted on or after January 1, 2002 but prior to January 1, 2003. The pro forma effect of awards granted prior to January 1, 2002 has not been included. The pro forma net earnings, basic and diluted earnings per share after giving effect to the grant of these options in 2002 are:

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Net earnings – as reported	$278,785	$208,163	$ 47,237
Add: Stock option employee compensation expense included in reported net earnings	7,206	2,439	—
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards	(7,810)	(3,893)	(2,261)
Net earnings – pro forma	$278,181	$206,709	$ 44,976
Pro forma basic earnings per share	$ 1.62	$ 1.23	$ 0.27
Pro forma diluted earnings per share	$ 1.55	$ 1.21	$ 0.27

The fair value of the options issued was determined using the Black-Scholes option pricing model with the following assumptions:

	2004	2003	2002
Number of options granted	2,085,000	2,119,050	1,467,150
Average strike price	$ 22.84	$ 12.87	$ 14.61
Expected dividend	$ 0.20	$ 0.20	$ 0.17
Expected volatility	37%	20%	20%
Risk-free interest rate	3.3%	4.1%	5.0%
Expected life of option	4 years	5 years	5 years
Expected forfeitures	15%	10%	17%
Weighted average grant date fair values	$ 6.78	$ 2.71	$ 3.61

Deferred Share Unit (DSU) and Other Plans

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. In 2004, sixty percent of each director's annual retainer was paid in DSU's. In addition, on an annual basis directors can elect to receive the remaining forty percent of their annual retainer and any additional fees in the form of 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 twenty trading days prior to the redemption date multiplied by the number of DSUs held by the director. As of December 31, 2004, the total DSUs held by participating directors was 125,033 (2003 - 101,484).

Cameco makes annual grants of bonuses to eligible non-North American employees in the form of phantom stock options. Options under this plan are not physically granted; rather 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 Toronto Stock Exchange 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, 2004, the number of options held by participating employees was 288,900 (2003 - 302,400) with exercise prices ranging from $9.61 to $21.03 per share (2003 - $9.61 to $14.61) and a weighted average exercise price of $16.70 (2003 - $12.38).

18. 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 dependents. The costs related to the non-pension post-retirement plans are charged to earnings in the period during which the services are rendered. However, these future obligations are not funded.

The effective date for the most recent valuations on the plans is January 1, 2003. The next planned effective date for valuation of the plans is set to be January 1, 2006. The status of the defined plans is as follows:

(a) Accrued Benefit Obligation

	Pension Benefit Plans		Other Benefit Plans	
	2004	2003	2004	2003
	(Thousands)		(Thousands)	
Balance at beginning of year	$ 15,380	$ 14,595	$ 3,389	$ 4,092
Current service cost	806	806	186	129
Interest cost	1,031	984	271	206
Actuarial gain	—	(483)	(26)	(952)
Plan amendments	—	—	772	—
Benefits paid	(576)	(522)	(132)	(86)
Foreign exchange rate changes	(163)	—	—	—
Balance at end of year	**$ 16,478**	**$ 15,380**	**$ 4,460**	**$ 3,389**

(b) Plan Assets

	Pension Benefit Plans	
	2004	2003
	(Thousands)	
Fair value at beginning of year	$ 21,758	$ 10,684
Actual return on plan assets	885	711
Employer contributions	1,134	10,885
Benefits paid	(576)	(522)
Fair value at end of year	**$ 23,201**	**$ 21,758**

Plan assets consist of:

	Pension Benefit Plans	
	2004	2003
Asset Category (i)`		
Equity securities	32%	35%
Bonds	22%	15%
Cash	0%	2%
Other (ii)	46%	48%
Total	100%	100%

(i) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2004 and 2003 respectively.

(ii) Other 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	
	2004	2003	2004	2003
	(Thousands)		(Thousands)	
Fair value of plan assets	$ 23,201	$ 21,758	$ —	$ —
Accrued benefit obligation	16,478	15,380	4,460	3,389
Funded status of plans - surplus (deficit)	6,723	6,378	(4,460)	(3,389)
Unamortized net actuarial loss	1,740	1,887	—	—
Unamortized transitional obligation	1,669	2,365	—	—
Accrued benefit asset (liability)	$ 10,132	$ 10,630	$ (4,460)	$ (3,389)
Accrued Benefit Asset (Liability) Recognized				
Long-term receivables, investments and other [note 5]	$ 10,132	$ 10,630	$ —	$ —
Other liabilities [note 8]	—	—	(4,460)	(3,389)
Accrued benefit asset (liability)	$ 10,132	$ 10,630	$ (4,460)	$ (3,389)

(d) Net Pension Expense

	2004	2003 (Thousands)	2002
Current service cost	$ 806	$ 806	$ 743
Interest cost	1,031	984	835
Actual (return) loss on plan assets	(885)	(711)	527
Actuarial gains	—	(483)	—
Balance prior to adjustments to recognize the long term nature of employee future benefit costs	952	596	2,105
Difference between expected and actuals return on plan assets in the year	60	110	(970)
Difference between actuarial (gain) loss recognized for year and actual actuarial (gain) loss on accrued benefit obligation for year	87	672	58
Amortization of transitional obligation	694	694	694
Defined benefit pension expense	1,793	2,072	1,887
Defined contribution pension expense	5,418	4,857	4,466
Net pension expense	**$ 7,211**	**$ 6,929**	**$ 6,353**

	2004	2003	2002
Significant assumptions at December 31			
Discount rate	6.5%	6.5%	6.0%
Rate of compensation increase	4.5%	4.5%	4.5%
Long term rate of return on assets	7.0%	7.0%	8.0%

(e) Other Post-Retirement Benefit Expense (Gain)

	2004	2003 (Thousands)	2002
Current service cost	$ 186	$ 129	$ 147
Interest cost	271	206	230
Actuarial gains	(26)	(952)	—
Plan amendment costs	772	—	—
Other post-retirement benefit expense (gain)	**$ 1,203**	**$ (617)**	**$ 377**

	2004	2003	2002
Significant assumptions at December 31			
Discount rate	6.5%	6.5%	7.5%
Initial health care cost trend rate	11%	11%	6%
Cost trend rate declines to	6%	6%	6%
Year the rate reaches its final level	2008	2008	—

(f) Pension and Other Post-Retirement Benefits Cash Payments

	2004	2003 (Thousands)	2002
Employer contributions to funded pension plans	$ 567	$ 10,885	$ 610
Benefits paid for unfunded benefit plans	132	86	94
Cash contributions to defined contribution plans	5,418	4,857	4,466
Total cash payments for employee future benefits	**$ 6,117**	**$ 15,828**	**$ 5,170**

19. Goodwill

The acquisitions undertaken as part of the gold restructuring were accounted for using the purchase method whereby assets and liabilities assumed were recorded at their fair market value as of the date of acquisition. The excess of the purchase price over such fair value was recorded as goodwill. The change in goodwill is due to the following:

	(Thousands)
Balance, beginning of year	$ —
Acquired during the year	
KGC [note 20]	178,733
AGR [note 20]	35,573
Change in foreign exchange rate	(27,122)
Balance, end of year	**$ 187,184**

20. Restructuring of the Gold Business

(a) Initial Public Offering

Under its initial public offering, Centerra issued 5,000,000 common shares to the public on June 30, 2004 for net proceeds of $73,625,000 after deducting the underwriter's fees of 5%. On July 28, 2004, the underwriters to the initial public offering of Centerra exercised their over-allotment option to acquire an additional 1,875,000 shares for net proceeds of $27,609,000.

(b) Acquisition of 66.7% Interest in KGC

Pursuant to the restructuring agreement between Cameco Gold Inc. (a wholly owned subsidiary of Cameco) and Kyrgyzaltyn, Centerra acquired an additional 66.7% interest in KGC, resulting in KGC becoming a wholly owned subsidiary of Centerra. The purchase price consisted of $11,000,000 (US) in cash, the contribution of a promissory note receivable and common shares of Centerra. The acquisition was accounted for using the purchase method and the results of operations are included, as to 100%, in the consolidated financial statements from June 22, 2004. Previously, Cameco Gold's Inc.'s 33.3% interest was accounted for by the proportionate consolidation method.

The values assigned to the net assets acquired are as follows:

	(Restated) (Thousands)
Cash and other working capital	$ 58,700
Property, plant and equipment	192,071
Goodwill [note 19]	178,733
Asset retirement obligation [note 7]	(14,852)
Subordinated debt	(44,282)
Future tax liability	(12,756)
Net assets acquired	$ 357,614
Financed by:	
Cash	$ 15,158
Note receivable from Kyrgyzaltyn	5,155
Settlement of shareholder subordinated loan	60,622
Common shares of Centerra	276,679
	$ 357,614

(c) AGR Limited

(i) Acquisition of 56.2% Interest in AGR Limited

On March 5, 2002, Cameco acquired a 52.2% interest in AGR Limited (AGR). AGR is an Australia-based exploration company whose principal asset is a 95.0% interest in the Boroo gold deposit located in Mongolia. The purchase price was financed with $12,000,000 (US) in cash and the contribution of a neighboring property. In exchange, AGR issued 240,000,000 shares to Cameco. The acquisition was accounted for using the purchase method and the results of operations are included in Cameco's consolidated financial statements from the effective date of the purchase.

The values assigned to the net assets acquired are as follows:

	(Thousands)
Cash and other working capital	$ 13,845
Property, plant and equipment	27,054
Minority interest	(18,981)
Net assets acquired	$ 21,918
Financed by:	
Cash	$ 19,562
Property, at carrying value	2,356
	$ 21,918

Subsequent to the acquisition, Cameco provided an additional $3,000,000 (US) for further exploration in the area in exchange for an incremental 4% interest in AGR (43,000,000 shares), increasing its total interest to 56.2% at December 31, 2002. Upon restructure, the 56.2% interest was transferred to Centerra.

(ii) Acquisition of 43.8% Interest in AGR Limited

Effective June 30, 2004, Centerra acquired an additional 43.7% interest in AGR, resulting in Centerra's interest in AGR rising to 99.9%. The purchase price was satisfied through the issuance of Centerra common shares. The acquisition was accounted for as a step purchase and the results of operations are included as it was already a consolidated subsidiary. Subsequent to June 30, 2004, Centerra acquired the remaining 0.1% ownership interests in AGR, making it a wholly owned subsidiary of Centerra.

The values assigned to the net assets acquired are as follows:

	(Restated) (Thousands)
Reduction of minority interest	$ 18,915
Mark-to-market loss on hedge contracts	(7,946)
Property, plant and equipment	32,253
Goodwill [note 19]	35,573
Future tax asset	(1,971)
Net assets acquired	$ 76,824
Financed by:	
Common shares of Centerra	$ 76,637
Cash	187
	$ 76,824

(d) Exchange of KGC Subordinated Debt

Effective June 30, 2004, Centerra exchanged common shares and cash in exchange for the subordinated debt of KGC.

	(Restated) (Thousands)
Fair value of exchange amount:	
Common shares issued	$ 47,449
Cash	18,975
	66,424
Net book value of subordinated debt acquired	(53,906)
Loss on exchange of debt	$ 12,518

(e) Dilution Gain

The transactions noted above resulted in Cameco's interest in Centerra being diluted. As a result of this dilution, Cameco recorded a pre-tax gain of $139,000,000.

21. Commitments and Contingencies

(a) An action was commenced in the Court of Queen's Bench for Saskatchewan on December 4, 1996 against Cameco Corporation, Cameco Gold Inc., Kumtor Operating Company, Kumtor Mountain Corporation et al by the estates and certain dependants of the nine individuals killed in the helicopter accident that occurred in Kyrgyzstan on October 4, 1995. The plaintiffs are seeking damages of $20,700,000. The defendants are defending this action.

On February 3, 2005, the lawsuit was settled and there was no financial impact on Cameco.

(b) A jury action was commenced by Oren Benton on November 28, 2000 in the State of Colorado, USA, against Cameco. The action claims in excess of $200,000,000 (US) for breach of contract, breach of duty of good faith and fair dealing, and tortious interference with contractual relations and/or business expectations. Cameco's motion to dismiss the claim was granted by Senior Judge Daniel B. Sparr by order filed November 15, 2002 and Mr. Benton's claim was dismissed. Mr. Benton has unsuccessfully appealed this decision and is now seeking leave to appeal to the Supreme Court of the United States.

Management is of the opinion, after review of the facts with counsel, that the claim is completely without merit and that the outcome of this action will not have a material financial impact on Cameco's financial position, results of operations or liquidity.

(c) Cameco's wholly owned subsidiary, Power Resources Inc. ("PRI"), and two unrelated third parties have been sued in the United States District Court for the District of Wyoming by Mountain West Mines Inc. ("MWM"). MWM claims that PRI and the other defendants owe it royalties on uranium mined in the Powder River Basin of Wyoming (which encompasses the Highland and Smith Ranch operations). PRI's exposure consists of unpaid royalties plus interest, and a continuing royalty on uranium from its operations within the Powder River Basin of approximately four percent of the selling price. MWM has submitted an expert report claiming that the amount of unpaid royalties is $6,690,755 (US) for the period 1993 through 2003 and the amount of interest thereon is $4,153,607 (US) as of January 7, 2005. A scheduling order has been issued that will see this dispute go to non-jury trial on June 20, 2005. The pre-trial discovery process continues and some depositions have been completed.

Management is of the opinion, after review of the facts with counsel, that PRI will prevail and, therefore, this action will not have a material impact on Cameco's financial position, results of operations and liquidity.

(d) Commitments

At December 31, 2004, Cameco's purchase commitments, the majority of which are fixed price uranium and conversion purchase arrangements, were as follows:

	(Millions (US))
2005	$ 132
2006	113
2007	123
2008	111
2009	91
Thereafter	332
Total	**$ 902**

22. Financial Instruments

The majority of revenues are derived from the sale of uranium products. Cameco's 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 inventory levels, and political and economic conditions in uranium producing and consuming countries. Revenue from gold operations is largely dependent on the market price of gold, which can be affected by political and economic factors, industry activity and the policies of central banks with respect to their levels of gold held as reserves. Financial results are also impacted by changes in foreign currency exchange rates and other operating risks.

To hedge risks associated with fluctuations in the market price for uranium, Cameco seeks to maintain a portfolio of uranium sales contracts with a variety of delivery dates and pricing mechanisms that provide a degree of protection from price volatility. Cameco enters into forward sales contracts to establish a price for future deliveries of gold and US dollars. Net realized gains (losses) on contracts designated as hedges are recorded as deferred revenues (deferred charges) and recognized in earnings when the related hedged transactions occur. During 2004, all gold instruments were closed.

Financial assets that are subject to credit risks include cash and securities, accounts receivable and commodity and currency instruments. Cameco mitigates credit risk on these financial assets by holding positions with a variety of large creditworthy institutions. Sales of uranium, with short payment terms, are made to customers that management believes are creditworthy.

Except as disclosed below, the fair market value of Cameco's financial assets and financial liabilities approximates net book value as a result of the short-term nature of the instrument or the variable interest rate associated with the instrument.

Currency

At December 31, 2004, Cameco had hedged $747,800,000 (US) at an average exchange rate of $1.30 designated to various dates through 2009 as follows:

	(Thousands)
2005	$ 347,800
2006	185,000
2007	130,000
2008	85,000
2009	—
Total	**$ 747,800**

These hedge positions consist entirely of spot-deferred forward contracts. The average exchange rate reflects contract prices as at December 31, 2004 to their initial maturity date which is earlier than the designation date in many cases. The realized exchange rate will depend on the forward premium (discount) that is earned (paid) as hedge contracts are extended to their final designation date.

At December 31, 2004, Cameco's net mark-to-market gain on these foreign currency instruments was $68,478,000 (Cdn).

23. Per Share Amounts

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the year net of shares held as security for employee loans to purchase such shares. The weighted average number of paid shares outstanding in 2004 was 171,444,861 (2003 - 168,358,671; 2002 - 167,342,934).

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Basic earnings per share computation			
Net earnings	$278,785	$ 208,163	$ 47,237
Weighted average common shares outstanding	171,445	168,359	167,343
Basic earnings per common share	**$ 1.63**	**$ 1.24**	**$ 0.28**
Diluted earnings per share computation			
Net earnings	$278,785	$ 208,163	$ 47,237
Dilutive effect of:			
Convertible debentures	8,055	2,290	—
Net earnings, assuming dilution	$286,840	$ 210,453	$ 47,237
Weighted average common shares outstanding	171,445	168,359	167,343
Dilutive effect of:			
Convertible debentures	10,615	2,850	—
Stock options	2,169	1,947	105
Weighted average common shares outstanding, assuming dilution	184,229	173,156	167,448
Diluted earnings per common share	**$ 1.56**	**$ 1.22**	**$ 0.28**

Options whose exercise price was greater than the average market price were excluded from this calculation. In 2004, there were no options whose exercise price was greater than the average market price.

24. Segmented Information

Cameco has four reportable segments: uranium, conversion, power and gold. The uranium segment involves the exploration for, mining, milling, purchase and sale of uranium concentrate. The conversion segment involves the refining and conversion of uranium concentrate and the purchase and sale of conversion services. The power segment involves the generation and sale of electricity.The gold segment involves the exploration for, mining, milling and sale of gold.

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

2004

(Millions)	Uranium	Conversion	(i) Power	Gold	Subtotal	(i) Adjustments	Total
Revenue	$ 581.5	$ 144.5	$ 519.9	$ 322.5	$1,568.4	$ (519.9)	$1,048.5
Expenses							
Products and services sold	377.9	101.9	320.0	143.3	943.1	(320.0)	623.1
Depreciation, depletion and reclamation	99.5	9.6	67.8	71.1	248.0	(67.8)	180.2
Exploration	17.0	—	—	19.0	36.0	—	36.0
Research and development	—	1.9	—	—	1.9	—	1.9
Other	(1.8)	—	11.4	(123.5)	(113.9)	(11.4)	(125.3)
Gain on sale of assets	(1.7)	—	—	(0.3)	(2.0)	—	(2.0)
Earnings from Bruce Power						(120.7)	(120.7)
Non-segmented expenses							75.7
Earnings before income taxes and minority interest	**90.6**	**31.1**	**120.7**	**212.9**	**455.3**	**—**	**379.6**
Income tax expense							73.3
Minority interest							27.5
Net earnings							**$ 278.8**
Assets	**$2,455.0**	**$ 206.4**	**$1,079.6**	**$ 742.1**	**$4,483.1**	**$ (431.0)**	**$4,052.1**
Capital expenditures for the year	**$ 122.5**	**$ 14.0**	**$ 114.3**	**$ 11.8**	**$ 262.6**	**$ (114.3)**	**$ 148.3**

2003 (Restated)

(Millions)	Uranium	Conversion	(i) Power	Gold	Subtotal	(i) Adjustments	Total
Revenue	$ 570.3	$ 142.4	$ 371.9	$ 114.2	$1,198.8	$ (371.9)	$ 826.9
Expenses							
Products and services sold	394.2	91.8	228.2	52.2	766.4	(228.2)	538.2
Depreciation, depletion and reclamation	93.5	10.9	34.6	21.5	160.5	(34.6)	125.9
Exploration	13.2	—	—	8.7	21.9	—	21.9
Research and development	—	1.7	—	—	1.7	—	1.7
Other	(0.4)	—	1.2	—	0.8	(1.2)	(0.4)
Earnings from Bruce Power						(107.9)	(107.9)
Non-segmented expenses							64.1
Earnings before income taxes and minority interest	**69.8**	**38.0**	**107.9**	**31.8**	**247.5**	**—**	**183.4**
Income tax recovery							(21.4)
Minority interest							(3.4)
Net earnings							**$ 208.2**
Assets	**$2,365.6**	**$ 180.0**	**$ 992.3**	**$ 347.4**	**$3,885.3**	**$ (454.1)**	**$3,431.2**
Capital expenditures for the year	**$ 72.5**	**$ 6.0**	**$ 156.5**	**$ 88.3**	**$ 323.3**	**$ (156.5)**	**$ 166.8**

2002 (Restated)

(Millions)	Uranium	Conversion	(i) Power	Gold	Subtotal	(i) Adjustments	Total
Revenue	$ 523.7	$ 137.4	$ 137.8	$ 87.2	$ 886.1	$ (137.8)	$ 748.3
Expenses							
Products and services sold	345.1	82.7	100.7	58.3	586.8	(100.7)	486.1
Depreciation, depletion and reclamation	87.0	11.1	13.8	20.2	132.1	(13.8)	118.3
Exploration	11.8	—	—	9.7	21.5	—	21.5
Research and development	—	2.3	—	—	2.3	—	2.3
Other	(0.2)	—	7.5	1.8	9.1	(7.5)	1.6
Gain on sale of assets	(2.7)	—	—	—	(2.7)	—	(2.7)
Earnings from Bruce Power						(15.8)	(15.8)
Non-segmented expenses							48.7
Earnings before income taxes and minority interest	**82.7**	**41.3**	**15.8**	**(2.8)**	**137.0**	**—**	**88.3**
Income tax expense							42.0
Minority interest							(0.9)
Net earnings							**$ 47.2**
Assets	**$2,365.4**	**$ 177.5**	**$ 321.6**	**$ 349.2**	**$3,213.7**	**$ (190.4)**	**$3,023.3**
Capital expenditures for the year	**$ 62.0**	**$ 6.9**	**$ 64.8**	**$ 29.0**	**$ 162.7**	**$ (64.8)**	**$ 97.9**

(i) Consistent with the presentation of financial information for internal management purposes, Cameco's pro rata share of Bruce Power's financial results have been presented as a separate segment. In accordance with GAAP, this investment is accounted for by the equity method of accounting in these consolidated financial statements and the associated revenues and expenses are eliminated in the adjustments column.

(b) Geographic Segments

(Millions)	2004	(Restated) 2003	(Restated) 2002
Revenue from products and services			
Canada – domestic	$ 77.4	$ 40.2	$ 62.8
– export	244.0	337.5	381.6
United States	404.6	335.0	216.7
Kyrgyzstan	207.8	114.2	87.2
Mongolia	114.7	—	—
	$1,048.5	**$ 826.9**	**$ 748.3**
Assets			
Canada	$3,089.2	$2,882.4	$2,521.8
United States	246.3	233.1	189.4
Kyrgyzstan	494.5	163.7	221.6
Mongolia	193.3	130.0	69.0
Kazakhstan	28.8	22.0	21.5
	$4,052.1	**$3,431.2**	**$3,023.3**

(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 2004, revenues from one customer of Cameco's uranium and conversion segments represented approximately $86,500,000 (12%) of Cameco's total revenues. In 2003, revenues from one customer of Cameco's uranium and conversion segments represented approximately $97,000,000 (14%) of Cameco's total revenues. In 2002, revenues from one customer of Cameco's uranium and conversion segments represented approximately $92,000,000 (14%) of total revenue. As customers are relatively few in number, accounts receivable from any individual customer may periodically exceed 10% of accounts receivable depending on delivery schedules.

25. Related Party Transactions

The company 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 Kitsaki Management Limited Partnership (Kitsaki). Harry Cook, a director of Cameco, was the chair of the company and was also the chief of the Lac La Ronge Indian Band, which owns Kitsaki. In 2004, Cameco has paid Kitsaki subsidiary companies $23,100,000 (2003 - $18,800,000) for transportation and catering 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 $800,000 (2003 - nil) resulting from these transactions.

26. Generally Accepted Accounting Principles in Canada and the United States

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 in accordance with Canadian GAAP to earnings determined in accordance with US GAAP:

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Net earnings under Canadian GAAP	**$278,785**	**$ 208,163**	**$ 47,237**
Adjustment to reverse Canadian GAAP restatement (vi)	—	—	2,597
Net earnings applicable to US GAAP	**$278,785**	**$ 208,163**	**$ 49,834**
Add (deduct) adjustments for (d):			
Depreciation and depletion (i)	1,618	2,579	2,579
Mineral property costs (ii)	11,028	(7,218)	(7,355)
Pre-operating costs (iii)	3,658	1,512	(866)
Hedges and derivative instruments (iv)	(12,104)	12,304	1,928
Realization of cumulative translation account (v)	—	—	(1,585)
Earnings from Bruce Power (iii)	2,015	(13,938)	(12,481)
Income tax effect of adjustments	(1,808)	2,034	7,651
Net earnings before cumulative effect of a change in accounting policy	**283,192**	**205,436**	**39,705**
Cumulative effect of a change in accounting policy (vi)	—	10,683	—
Net earnings under US GAAP	**283,192**	**216,119**	**39,705**
Hedges and derivative instruments (iv)	32,691	29,508	(6,203)
Foreign currency translation adjustments (v)	(27,266)	(32,309)	859
Unrealized gain (loss) on available-for-sale securities (vii)	36,849	21,410	(334)
Comprehensive income under US GAAP	**$325,466**	**$ 234,728**	**$ 34,027**
Basic net earnings per share under US GAAP	**$ 1.65**	**$ 1.28**	**$ 0.24**
Diluted earnings per share under US GAAP	**$ 1.58**	**$ 1.26**	**$ 0.24**

(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

	2004		(Restated) 2003	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
	(Thousands)			
Current assets	$ 851,240	$ 851,240	$ 686,087	$ 680,151
Property, plant and equipment	2,281,418	2,197,594	2,119,784	2,038,234
Long-term receivables, investments and other	732,262	832,924	625,317	624,219
Goodwill	187,184	187,184	—	—
Total assets	**$4,052,104**	**$4,068,942**	**$ 3,431,188**	**$3,342,604**
Current liabilities	$ 296,319	$ 296,319	$ 205,648	$ 205,648
Long-term debt	518,603	518,603	601,048	601,048
Provision for reclamation	166,941	166,941	150,444	150,444
Other liabilities	31,086	31,086	36,196	36,196
Deferred income taxes	533,024	522,114	528,250	485,865
	1,545,973	1,535,063	1,521,586	1,479,201
Minority interest	345,611	345,611	14,690	14,690
Shareholders' equity				
Share capital	750,559	750,559	708,345	708,345
Contributed surplus	511,674	511,674	505,400	505,400
Retained earnings	938,809	850,880	694,423	602,087
Accumulated other comprehensive income				
- cumulative translation account (v)	(40,522)	(19,300)	(13,256)	7,966
- available-for-sale securities (vii)	—	60,713	—	23,864
- hedges and derivative instruments (iv)	—	33,742	—	1,051
	2,160,520	2,188,268	1,894,912	1,848,713
Total liabilities and shareholders' equity	**$4,052,104**	**$4,068,942**	**$ 3,431,188**	**$3,342,604**
(ii) Components of accounts payable and accrued liabilities are as follows:				
Accounts payable	$ 137,901	$ 137,901	$ 120,436	$ 120,436
Taxes and royalties payable	55,258	55,258	21,464	21,464
Accrued liabilities	38,538	38,538	25,102	25,102
Total accounts payable and accrued liabilities	**$ 231,697**	**$ 231,697**	**$ 167,002**	**$ 167,002**

(c) The effects of these adjustments would result in the consolidated statements of cash flows reporting the following under US GAAP:

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Cash provided by operations	$ 239,070	$ 242,538	$ 233,533
Cash used in investing	$(171,715)	$ (455,988)	$ (79,348)
Cash provided by (used in) financing	$ 54,014	$ 251,321	$(130,211)

(d) A description of certain significant differences between Canadian GAAP and US GAAP follows:

(i) Writedown of Mineral Properties

Under both Canadian and US GAAP, property, plant and equipment must be assessed for potential impairment. As of 2003 there was no longer any difference in the calculation of an impairment loss between Canadian and US GAAP. However, as a result of previous differences in the amounts of impairment losses recognized under US and Canadian GAAP, there is a difference in the amount of depreciation and depletion charged to earnings.

(ii) Mineral Property Costs

Consistent with Canadian GAAP, Cameco defers costs related to mineral properties once the decision to proceed to development has been made. Under US GAAP, these costs are expensed until such time as a final feasibility study has confirmed the existence of a commercially mineable deposit. In addition, since the carrying value of the mineral property is different under US GAAP, interest capitalization is impacted. Accordingly, an adjustment has been made to reduce capitalized interest by $1,614,000 (2003 - nil).

Prior to 2004, the mineral property costs expensed under US GAAP included a provision for loan impairment totaling $12,642,000. Due to the recognition of reserves and the completion of a final feasibility study in 2004, Cameco was able to demonstrate the loan to be recoverable and has reversed the impairment provision.

(iii) 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. After such time, those costs are amortized over the estimated life of the project. Under US GAAP, such costs are expensed as incurred as required by AICPA Statement of Position 98-5, Reporting on the Cost of Start-Up Activities. McArthur River commercial production commenced March 1, 2000 for US GAAP and November 1, 2000 for Canadian GAAP.

During 2004, **$**1,048,000 (2003 - $17,917,000) of costs related to the restart of two nuclear reactors at Bruce Power were considered to be start-up costs required to be expensed under US GAAP. As a result of expensing these start-up costs, there is a difference in the capital costs recognized under Canadian and US GAAP. Accordingly, an adjustment has been made to reduce the amount of depreciation charged to earnings by $2,445,000 (2003 - nil).

(iv) Hedges and Derivative Instruments

Under US GAAP, all derivative instruments are recognized on the balance sheet as either an asset or a liability measured at fair value. Changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met to qualify as a cash flow hedge. Changes in the fair value of derivatives that qualify as fair value hedges, are recognized in earnings in the same period as the hedged items. Changes in the fair value of the effective portion of a cash flow hedge are deferred in other comprehensive income with any ineffectiveness of the hedge recognized immediately on the statement of earnings.

For amounts included in the balance sheet as accumulated other comprehensive income as at December 31, 2004, a gain of $36,465,000 (after tax) relates to the hedging of foreign exchange risk. Of these amounts, $18,909,000 (after tax) would be recorded in earnings during 2005 if market conditions remained unchanged. The impact on other comprehensive income for 2004 is a gain of $38,814,000 (2003 – gain of $26,107,000). During 2004, no net gains or losses from the hedging of net investments were realized.

During 2003, $12,304,000 was excluded from the assessment of hedge effectiveness. For amounts included in the balance sheet as accumulated other comprehensive income as at December 31, 2003, a gain of $250,000 (after tax) relates to the hedging of interest rate risk, a loss of $18,971,000 (after tax) relates to the hedging of gold price risk, and a gain of $38,625,000 (after tax) relates to the hedging of foreign exchange rate risk. During 2004, no net gains or losses from the hedging of net investments were realized.

Bruce Power also has certain derivative instruments that qualify for hedge accounting. For amounts included in the balance sheet as accumulated other comprehensive income as at December 31, 2004, a loss of $2,410,000 (after tax) relates to the hedging of electricity price risk, and a loss of $313,000 (after tax) relates to the hedging of foreign exchange risk. Of these amounts, $914,000 (after tax) would be recorded in earnings for 2005 if market conditions remained unchanged. The impact on other comprehensive income for hedge accounting for 2004 is a loss of $6,123,000 (2003 – gain of $3,401,000).

Prior to August 2003, $3,979,000 of gains related to Bruce Power energy contracts did not qualify for hedge accounting under US GAAP as the documentation required for hedge accounting was not contemplated at the time of entering into the contracts.

(v) Realization of Cumulative Translation Account

Under Canadian GAAP, a proportionate amount of the cumulative translation account is recognized in earnings when a portion of the net investment in a subsidiary is realized. US GAAP does not allow for any of the cumulative translation account to be taken to earnings unless a portion of the investment has been sold or substantially liquidated.

(vi) Cumulative Effect of a Change in Accounting Policy

In 2001, the FASB issued Statement 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and use of the asset. Statement 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses.

For Canadian GAAP, the cumulative effect of the change in policy on the balance sheet at December 31, 2002 is to increase property, plant and equipment by $23,000,000, future income taxes by $8,000,000, liabilities by $4,000,000 and opening retained earnings by $11,000,000. Under US GAAP no restatement is required.

(vii) Available-for-Sale Securities

Under Canadian GAAP, portfolio investments are accounted for using the cost method. Under US GAAP, portfolio investments classified as available-for-sale securities are carried at market values with unrealized gains or losses reflected as a separate component of shareholders' equity and included in comprehensive income. Cameco's investments in Energy Resources of Australia Ltd., Batavia Mining Ltd. (formerly Menzies Gold NL), Tenke Mining Corp., Maudore Minerals Ltd. (formerly Maude Lake Exploration Ltd.), and Golden Band Resources Inc. are classified as available-for-sale. The investments in Batavia Mining Ltd. and Tenke Mining Corp. were sold in 2004. The fair market value of the owned investments at December 31, 2004 is $79,785,000 (2003 - $41,428,000). The cumulative unrealized gain at December 31, 2004 is $60,713,000 (2003 - $23,864,000).

(e) Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, establishes financial accounting and reporting standards for stock-based employee compensation plans. This statement defines a fair value based method of accounting for employee stock options. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, which is similar to the method applied under Canadian GAAP and followed by Cameco prior to 2003. For periods prior to adoption, companies that continue to follow the intrinsic value based method must disclose pro-forma earnings and earnings per share information under the fair value method.

Cameco adopted the fair value method of accounting for employee stock options with retroactive effect to January 1, 2003. Pursuant to new transitional rules related to accounting for stock-based compensation under Canadian and US GAAP, Cameco chose to record compensation expense for all employee stock options granted on or after January 1, 2003 with a corresponding increase to contributed surplus. Compensation expense for options granted during 2003 and beyond is determined based on the estimated fair values at the time of grant, the cost of which is recognized over the vesting periods of the respective options.

Cameco has applied the pro forma disclosure provisions of the standard to awards granted prior to January 1, 2003. The pro forma net earnings, basic and diluted earnings per share after giving effect to the grant of these options are:

	2004	(Restated) 2003	(Restated) 2002
		(Thousands)	
Net earnings for the year in accordance with US GAAP as calculated above	$283,192	$ 216,119	$ 39,705
Effect of recording compensation expense under stock options plans	(604)	(2,027)	(3,991)
Pro-forma net earnings after application of SFAS 123	$282,588	$ 214,092	$ 35,714
Pro-forma basic net earnings per common share after application of SFAS 123	$ 1.65	$ 1.27	$ 0.21
Pro-forma diluted net earnings per common share after application of SFAS 123	$ 1.58	$ 1.25	$ 0.21

In calculating the foregoing pro-forma amounts, the fair value of each option grant was estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2002	2001	2000
Dividend	$ 0.17	$ 0.17	$ 0.17
Expected volatility	20.0%	39.6%	44.8%
Risk-free interest rate	5.0%	5.5%	6.0%
Expected life of option	5 years	8 years	8 years
Expected forfeitures	17.0%	20.0%	20.0%
Weighted average grant date fair values	$ 3.61	$ 4.54	$ 3.23

(f) New Accounting Pronouncements

In 2004, the FASB issued Statement 151, Inventory Costs, which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage). This statement requires that these items be recognized as current-period charges. Cameco will adopt this standard on a prospective basis beginning January 1, 2005 and does not expect it will have a material impact on its consolidated financial statements.

In 2004, FASB issued revised FAS 123 “Share-Based Payment”. This amended statement eliminates the alternative to use Accounting Principles Board (“APB”) Opinion No. 25’s intrinsic value method of accounting, as was provided in the originally issued Statement 123. This Statement also clarifies and expands Statement 123’s guidance in several areas, including measuring fair value, classifying an award as equity or as a liability, and attributing compensation cost to reporting periods. As a result, public entities are required to use the grant-date fair value of the award in measuring the cost of employee services received in exchange for an equity award of equity instruments. Compensation cost is required to be recognized over the requisite service period. Compensation cost is not recognized for equity instruments for which employees do not render the requisite service. For liability awards, entities are required to re-measure the fair value of the award at each reporting date up until the settlement date. Changes in fair value of liability awards during the requisite service period are required to be recognized as compensation cost over the vesting period. This amended statement is effective the beginning of the first interim or annual reporting period that begins after June 15, 2005. Cameco will adopt this standard on a prospective basis and does not expect it will have a material impact on its consolidated statements.

In 2004, the FASB issued Statement 153, Exchanges of Nonmonetary Assets, which amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. Cameco will adopt this standard on a prospective basis beginning January 1, 2005 and does not expect it will have a material impact on its consolidated financial statements.

27. Comparative Figures

Certain prior year balances have been reclassified to conform to the current financial statement presentation.

Summary of Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles and, except as described in note 26, conform in all material respects with accounting principles generally accepted in the United States. 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.

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.

Cash

Cash consists 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.

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.

Supplies

Consumable supplies and spares are valued at the lower of cost or replacement value.

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 carried at cost or at cost less amounts written off to reflect a decline in value that is other than temporary.

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.

Non-Producing Properties

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 will be depleted by charges against earnings from future mining operations. 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 life 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.

Property Evaluations

Cameco reviews the carrying values of its properties 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.

Goodwill

Acquisitions are accounted for using the purchase method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition. The excess of the purchase price over such fair value is recorded as goodwill. Goodwill is assigned to assets and is not amortized.

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 if realization is considered more likely than not.

Capitalization of Interest

Interest is capitalized on expenditures related to construction or development projects actively being prepared for their intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases.

Depreciation and Depletion

Conversion services assets, mine buildings, equipment and mineral properties are depreciated or depleted according to the unit-of-production method. This method allocates the costs of these assets to each accounting period. For conversion 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' economically recoverable proven and probable ore reserves which are recovered during the period.

Other assets are depreciated according to the straight-line method based on estimated useful lives, which generally range from three to 10 years.

Research and Development and Exploration Costs

Expenditures for applied research and technology related to the products and processes of Cameco and expenditures for geological exploration programs are charged against earnings as incurred.

Environmental Protection and Reclamation Costs

The fair value of the liability for an asset retirement obligation is recognized in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time 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 and cost estimates. Expenditures relating to ongoing environmental programs are charged against earnings as incurred or capitalized and depreciated depending on their relationship to future earnings.

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 prorated 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. On defined benefit pension plans, past service costs arising from plan amendments and net actuarial gains, and 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 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. Cameco measures the plan assets and the accrued benefit obligation on December 31 each year.

Stock-Based Compensation

Cameco has three stock-based compensation plans that are described in note 17. These encompass a stock option plan, a deferred share unit plan and a phantom stock option plan.

Options granted under the stock option plan on or after January 1, 2003 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 vesting period. For options granted prior to January 1, 2003, no compensation expense was recognized when the stock options were granted. Any consideration received on exercise of stock options is credited to share capital.

Deferred share units and phantom stock options are amortized over their vesting periods and remeasured at each reporting period, until settlement, using the quoted market value.

Revenue Recognition

Cameco supplies uranium concentrates and uranium conversion services to utility customers. Third party fabricators process Cameco's products into fuel for use in nuclear reactors.

Cameco records revenue on the sale of its nuclear products to utility customers when title to the product transfers and delivery is effected through book transfer. Since nuclear products must be stored at licensed storage facilities, Cameco may hold customer owned product at its premises prior to shipment of the product to third parties for further processing.

Cameco records revenue on the sale of gold when title passes and delivery is affected.

Amortization of Financing Costs

Debt discounts and issue expenses associated with long-term financing are deferred and amortized over the term of the issues to which they relate.

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 dollar is considered the functional currency of most of Cameco's uranium and gold 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 cumulative translation account component of shareholders' equity. Exchange gains or losses arising from the translation of foreign debt and preferred securities designated as hedges of a net investment in foreign operations are also recorded in the cumulative translation account component of shareholders' equity. These adjustments are not included in earnings until realized through a reduction in Cameco's net investment in such operations.

Derivative Financial Instruments and Hedging Transactions

Cameco uses derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. 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. This 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 hedge's 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. Gains and losses related to hedging items are deferred and recognized in the same period as the corresponding hedged items. If derivative financial instruments are closed before planned delivery, gains or losses are recorded as deferred revenue or deferred charges and recognized on the planned delivery date. In the event a hedged item is sold, extinguished or matures prior to the termination of the related hedging instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

Earnings Per Share

Earnings per share are calculated using the weighted average number of paid common shares outstanding.

The calculation of diluted earnings per share assumes that outstanding options and warrants 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.

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EXHIBIT 3

Cameco Corporation

2004 Management's Discussion and Analysis

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Management's Discussion & Analysis
March 15, 2005

This management's discussion and analysis (MD&A) is designed to provide investors with an informed discussion of Cameco's business activities and reflects events known to management to March 15, 2005.

HOW TO USE THIS MD&A

For those less familiar with Cameco, the MD&A is ordered so that readers can first be introduced to the company, and then learn about its business environments, strategies, key performance drivers, capability to deliver, 2004 consolidated results, 2005 outlook, liquidity and capital resources and risk factors.

The following is a summary of the key sections of this MD&A.

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OVERVIEW

Vision

Cameco will be a dominant nuclear energy company, producing uranium fuel and generating clean electricity.

Profile

Our business is nuclear energy. We are a leading global supplier of uranium fuel and a growing supplier of clean electricity. We deliver shareholder value by using our unique assets, employee experience and industry knowledge to meet the world's rising demand for clean, safe and reliable energy.

We place the safety of our workforce, the public and the environment above all else.

We achieve sustainable growth by combining prudent financial management with personal conduct that reflects our values.

The key measures of our success are a safe, healthy and rewarding workplace, a clean environment, supportive communities and solid financial performance—all reflected in a growing return to shareholders.

Values

We value the contribution of every employee. We seek strong relationships based on honest communications with employees and their families, customers, shareholders and suppliers.

We pursue excellence in all undertakings and value people who strive to produce work of the highest quality. We encourage creativity, innovation and continual improvement.

We seek to earn the respect of all people with whom we interact. We inspire trust based on honest, fair and ethical behaviour.

Our operations provide a safe human and physical environment. We are committed to practices that promote the health of employees and safeguard the environment in areas affected by the facilities we operate during and after their utilization.

CAMECO's BUSINESSES

Cameco is involved in four business segments:

- uranium
- conversion services
- nuclear electricity generation
- gold

The only significant commercial use for uranium is to fuel nuclear power plants for the generation of electricity. In recent years, nuclear plants generated approximately 16% of the world's electricity.

The major stages in the production of nuclear fuel are uranium exploration, mining and milling, refining and conversion, enrichment and fuel fabrication. Once a commercial uranium deposit is discovered and reserves delineated, regulatory approval to mine is sought. Following regulatory approval, the mine is developed, and ore is extracted and upgraded at a mill to produce uranium concentrate. Uranium mining companies sell uranium concentrates to nuclear electricity generating companies around the world on the basis of the U_3O_8 contained in the concentrates. These utilities then contract with converters, enrichers and fuel fabricators to produce the required reactor fuel.

Cameco is the world's largest uranium producer accounting for 20% of the world's production in 2004 and backed by more than 553 million pounds of proven and probable reserves of uranium. We have controlling ownership of the world's largest high-grade reserves and low-cost operations in northern Saskatchewan. Cameco operates four mines in Canada and the United States, as well as two mines under development in Canada and Central Asia.

The company is an integrated uranium fuel supplier with refining facilities at Blind River and conversion facilities at Port Hope, both located in Ontario, Canada. Uranium concentrates are shipped to Blind River for refining into uranium trioxide (UO_3) and to Port Hope for conversion services. The Port Hope plant can produce 20% of the world's annual requirements of uranium hexafluoride (UF_6) used in making fuel for light water reactors. In addition, Port Hope is the world's only commercial producer of natural uranium dioxide (UO_2), the fuel used by all Canadian-designed Candu reactors. The products from these sites are used to produce fuel for nuclear power reactors.

Through its 31.6% interest in the Bruce Power Limited Partnership, which operates the Bruce Power nuclear generating station located in southern Ontario, Cameco generates clean electricity. Cameco is the sole fuel supplier to Bruce Power which leases eight nuclear power reactors, two of which have been out of service since 1995 and 1997. Bruce Power's operating plants have a combined net generation capacity of 4,700 megawatts (MW), which is enough to meet the residential and industrial needs of a city the size of Toronto, Ontario.

Cameco has a 52.7% interest in Centerra Gold Inc., which began trading on the Toronto Stock Exchange in June 2004. Cameco transferred substantially all its gold assets to Centerra as part of the strategy to unlock the value of those assets. Centerra is a leading North American gold producer and the largest western-based gold producer in Central Asia. Centerra is focused on growth through exploration and acquisition of gold properties in Central Asia, the former Soviet Union and other emerging markets. Centerra operates two gold mines, located in the Kyrgyz Republic and Mongolia, and holds a number of exploration properties in Asia and North America.

GROWTH STRATEGY

Cameco's vision is to be a dominant nuclear energy company, producing uranium fuel and generating clean electricity. Cameco's main strategies are to:

- build on the company's competitive advantages in the uranium and conversion businesses, including leveraging our uranium exploration expertise,
- continue vertical integration within nuclear fuel supply, and
- expand our nuclear generation capacity.

Our specific strategies in the uranium and conversion businesses, the company's core businesses, are discussed on pages 8 and 22, respectively, of this MD&A.

In pursuing further integration in nuclear fuel supply and expansion in nuclear power generation, our goals are to:

- earn a sufficient rate of return to provide a basis for long-term profitability,
- provide nuclear fuel supply where possible and link to core assets and competencies,
- capture the value added to uranium in each step of the fuel cycle, including the enormous energy value in the final production of clean electricity generation,
- strengthen Cameco's foundation for further expansion in the nuclear fuel cycle,
- achieve a reward commensurate with the risks taken, and
- not unduly risk Cameco's overall viability.

The key strategies are to:

- pursue the most appropriate investments by considering opportunities in all aspects of the nuclear fuel cycle,
- guide and support Bruce Power's growth strategy,
- seek opportunities to facilitate positive change in the nuclear industry by supporting or leading the development, assessment or licensing of new technology, market structures and regulatory processes, and
- pursue partnering opportunities in new reactor construction and completions by leveraging fuel-supply relationships, developing expertise in new fuel requirements, and enhancing relationships with industry leaders in reactor technology, and, seeking active ownership to allow, where possible, participation in management oversight of generation facilities.

In addition, Cameco seeks to increase nuclear power's contribution to global energy supply through two major strategies to:

- participate in related technologies that support nuclear energy development, and
- promote industry initiatives to position nuclear power as an important factor in addressing clean air and climate change by providing leadership and resources to key industry associations, developing government relationships and further enhancing nuclear's environmental and safety reputation.

TRENDS IN THE NUCLEAR POWER INDUSTRY

A number of evolving trends in the nuclear power industry have the potential to affect Cameco's uranium and conversion businesses.

Current Status and Growth

Reactors — Operating, Planned and Under Construction

There are 439 reactors operating worldwide, and a total of 69 new reactors that are under construction or planned for completion within the next 10 years (as of January 2005). This more than offsets 38 planned closures for a net increase of 31 reactors during the period. Planned changes in the number of reactors include:

- In Asia, 42 new reactors are offset by 4 closures for a net increase of 38 reactors as energy demand responds to rapid economic expansion. Half of this growth will occur in China and India with plans for an increase of 11 and 9 reactors respectively.
- In Eastern Europe, it is anticipated that 14 new reactors will begin operating and four existing reactors close for a net increase of 10 reactors.
- In Western Europe, nine countries are expected to close 29 reactors, with most of the closures occurring in the UK and Germany. Only Finland and France are building new plants, bringing the net loss to 27.
- In the US, the Tennessee Valley Authority is proceeding with a restart program for Unit 1 of its Browns Ferry nuclear station.
- In Canada, Ontario Power Generation Inc. (OPG) plans to restart three Pickering units (one restart is currently approved). Although not included in the growth projections above, our Bruce Power partnership is assessing the feasibility of restarting its remaining two "A" units.
- Other countries plan to start seven new reactors, offset by one closure for six additional reactors beginning operations during this period.

Pending

Several non-nuclear countries including Indonesia, Turkey, Egypt, Vietnam and Kazakhstan are considering nuclear programs.

Plant Performance

Capacity Factors

In 2004, the global gross average capacity factor among nuclear generators rose to almost 79% from 76% in 2003. The increase was due to record setting performance by nuclear plants in the US and Sweden, Japan's recovery from a number of shutdowns required by regulators, and a full year's performance from three reactors in Canada that had been laid up for several years. Global capacity factors were also affected by good reactor performance in several other countries.

Operating Cost

In 2003, the latest year for which data is available, the direct costs of US nuclear electricity production were lower than coal and second only to hydro for the fifth consecutive year. US nuclear production costs were 1.7 cents per kilowatt-hour, 1.8 cents for coal, and more than 5.5 cents for oil and gas.

Nuclear Acceptance

Positive Trends

North America
Public support for nuclear power in the US is trending higher. A poll, conducted by the Nuclear Energy Institute in 2004, showed that 67% of people favoured the use of nuclear power. The US Department of Energy's (DOE) 2004 strategic plan includes an initiative to support the ordering of at least one new nuclear reactor in the 2010 timeframe. In response, three industry consortia have been formed to advance the licensing of new reactor models. This should result in the certification of an advanced reactor design that will qualify for combined construction and operating licences, thereby positioning consortia members to proceed with construction.

The market for US nuclear generation assets has become more competitive. Capital markets have become receptive to financing nuclear generation. In its most recent global energy outlook, the US DOE has again projected a greater role (relative to its previous forecast) for nuclear power over the next 15 years.

In Canada, the restart of OPG's Pickering Unit 1 was approved in recognition of the need for nuclear power to support demand growth and clean-air initiatives. Private investment is expected to play a significant role in developing Ontario's nuclear capacity.

Europe
The link between clean air and nuclear power is increasingly recognized by influential non-nuclear entities including the European Commission's research department. In addition, leading international environmentalists, such as James Lovelock, Hugh Montefiore and Patrick Moore, are emerging as strong advocates of new nuclear construction.

The Prime Minister of the United Kingdom recently acknowledged that new nuclear construction must be considered in the UK's plans to reduce greenhouse gas emissions.

Several countries including the US and the UK, along with the European Union (EU) have recognized the strategic risk of over-reliance on natural gas. The International Atomic Energy Agency (IAEA) has launched an international research initiative on the development of small reactors.

Negative Trends

Nuclear phase-outs are mandated in Germany, Netherlands, Spain and Belgium, although reassessments are likely to continue. The Swedish government has terminated discussions with the Swedish nuclear power industry on an agreement for a nuclear phase-out policy and has ordered the shutdown of one reactor in May 2005.

Safety problems and suspected cover up attempts have undermined public confidence in Japan's nuclear energy program, but Japan has recently announced that its nuclear energy capacity should double.

Although progress is being made in several countries on the management of radioactive waste from the nuclear fuel cycle, there remains strong opposition among the environmental community.

Summary of Trends

The nuclear industry is experiencing stable growth in the form of capacity factor improvements, refurbishments, life extensions and, in Asia, aggressive new-build programs. It is difficult to determine which factors will dominate the outlook for nuclear in the long term. However, the demand for nuclear power is expected to grow even more significantly as increasing electricity demand, the need for non-emitting baseload energy and security of supply begin to take hold globally.

Overall, these indicators are expected to support a stable demand trend for uranium and conversion services in the next 10 years with the potential for accelerated growth if nuclear energy continues to gain broader acceptance in the world.

URANIUM BUSINESS

Worldwide Uranium Supply and Demand

The uranium market supply and demand fundamentals continued to strengthen in 2004, indicating a need for more primary mine production over the coming decade. During the past 20 years, uranium consumption has exceeded mine production by a wide margin, with the difference being made up by secondary supply sources such as various types of inventory and recycled products. While there are still inventories, they are considerably reduced and more may be classified as strategic rather than excess.

In 2003, there were uranium production interruptions and supply announcements that caused utilities to re-examine their policy of maintaining low inventories. In addition, the weakening US dollar (compared to the currencies of almost all producer countries) meant that producers were realizing less revenue for each pound of uranium sold in US dollars. These factors contributed to the escalation of uranium prices in the last four months of 2003. In 2004, this upward trend continued, with spot prices increasing by 43% and long-term price indicators rising by 61%.

However, for the most part, the strengthening uranium price reflects tightening supply and the recognition that new investment is needed to encourage exploration for additional reserves and to build new mines. Much of the known world uranium resources cannot be economically brought into production without higher prices. And due to low uranium prices over the past two decades, little exploration has been conducted. As a result of this under-investment in exploration, very few new discoveries have been made. Even with the production from these potential mines, there could be periods of supply tightness causing uranium prices to become quite volatile.

Sustained prices higher than what have been experienced over the past 10 to 20 years are needed to ensure that production expands to meet growing requirements. We believe that over the next 10 to 20 years, increased exploration and development will ensure enough uranium will be found and developed to supply an expanding nuclear power industry. Cameco is positioned to benefit

through its control of more than 60% of new uranium production that is currently planned and through its continued support of exploration for new uranium deposits.

Uranium Demand

Current nuclear power trends are generally positive. However, it is difficult to know whether these trends and the national debates on the long-term future of nuclear power will result in more or less favourable conditions for the nuclear industry. New plant construction, improved reactor operations, uprates and the extension of reactor lives make it highly likely that, at a minimum, the current demand for uranium will continue for several decades. In the near term, perceptions that uranium supplies are ample are beginning to change as excess inventories decline. Uranium prices have responded as spot prices rose during 2004 to $20.60 (US) per pound from $14.45 (US) a year earlier. As inventories continue to decrease, it is expected that uranium prices will more closely reflect the cost of primary mine production, including a reasonable return on new investment.

World uranium consumption totalled about 180 million pounds in 2004. Of that, western world consumption was about 159 million pounds, up from an estimated 155 million pounds largely as a result of members being added to the European Union. Cameco estimates that annual world uranium consumption will reach almost 210 million pounds in 2014, reflecting an annual growth rate of 1.7%. Demand in Russia, Eastern Europe and China was about 21 million pounds in 2004 and is expected to increase to about 35 million pounds in 2014. Western world consumption is expected to increase to 175 million pounds in the 10-year period. In 2005, world demand is expected to increase to about 184 million pounds while western world demand is forecast to rise to 162 million pounds.

In 2004, eight reactors were connected to electricity grids, two each in South Korea and Ukraine, and one each in China, Japan, Russia and Canada. Three of these entered commercial operation in 2004, with the remainder expected in 2005. There were five closures in 2004, four in the United Kingdom and one in Lithuania. The net result was a 6.2 gigawatt (GWe) increase in world nuclear capacity.

Uranium Supply

World uranium supply comes from primary mine production and a number of secondary sources.

Mine Production

World production in 2004 was about 104 million pounds U_3O_8, up 12% from 93 million pounds in 2003, largely as a result of Cameco's McArthur River mine recovering from operating difficulties in 2003. World production is expected to increase marginally in 2005.

In 2004, the world's major uranium producers continued to be affected by the weakening US dollar. While most uranium is sold in US dollars, most of the world's production comes from outside the US. Uranium spot prices increased by 43% in 2004 and uranium long-term prices by 61%, but this was somewhat offset by the strength of other currencies against the US dollar. For example, the uranium spot price only increased by 33% in Canadian dollars in 2004, 37% in Australian dollars, and 22% in South African rand. The countries affected by these currency changes produced about 61% of world production in 2004. As a consequence, this trend in

relative currency values has increased the need for sustained higher prices to stimulate exploration and new production.

Secondary Sources

Secondary sources of supply consist of surplus military materials, excess inventory and recycled products. Recycled products include reprocessed uranium, mixed oxide fuel and re-enriched tails material. Some utilities use reprocessed uranium and mixed oxide fuel from used reactor fuel. In recent years, another source of supply has been re-enriched depleted uranium tails generated using excess enrichment capacity. We estimate that these recycled products will account for about 8% of western world demand over the next 10 years. With the exception of recycled material, secondary supplies are finite. Recycled products are currently a high-cost fuel alternative and are used by utilities in only a few countries.

One of the largest sources of secondary supply is the uranium derived from Russian highly enriched uranium (HEU). As a result of the 1993 HEU agreement between the US and Russia to reduce the number of nuclear weapons, additional supplies of uranium have been available to the market. Under the 20-year agreement, weapons-grade HEU is blended down in Russia to low enriched uranium (LEU) capable of being used in western world nuclear power plants. Uranium derived from Russian HEU could meet 11% of western world demand over the next 10 years.

The other large source of secondary supply is excess inventories. Prior to 1985, uranium mine production exceeded reactor requirements due, in large part, to government incentive programs that anticipated rapid growth of nuclear generated electricity. The result was a buildup of large inventories, both in the commercial and government sectors. Over the past 20 years, uranium mine production has been less than annual requirements and the company believes that most of these inventories have been consumed.

Cameco estimates the drawdown in 2004 of excess inventory held by western world utilities, producers, governments and other industry participants was in the range of 25 million pounds U_3O_8. Inventory drawdown in 2005 is expected to be somewhat lower than in 2004, reflecting declining inventory availability.

Uranium Markets

Utilities secure the majority of their uranium requirements (80% to 90% in recent years) by entering into medium-term (three to five years) and long-term (more than five years) contracts with uranium suppliers. These contracts usually provide for deliveries to begin two to three years after contracts are finalized. In awarding contracts, utilities consider the commercial terms offered, including price, and the producer's record of performance and uranium reserves.

There are a number of pricing formulas, including base prices adjusted by inflation indices, reference prices (generally spot price indicators but also long-term reference prices) and annual price negotiations. Many contracts also contain floor prices, ceiling prices and other negotiated provisions that affect the amount ultimately paid.

Utilities acquire the remainder of their uranium requirements through spot and near-term purchases from producers and traders. Spot market purchases are those that call for delivery

within one year. Traders generally source their uranium from organizations holding excess inventory, including utilities, producers and governments.

Uranium Spot Market

Spot market volume for 2004 totalled 18 million pounds of uranium, about 18% less than the 22 million pounds in 2003. The spot market represented about 11% of the western world's uranium consumption in 2004, a modest decrease from 2003.

Lower spot demand in 2004 can be attributed to buyers with near-term requirements exercising upward volume flexibilities under existing contracts in an effort to avoid the higher prices in the spot market. In 2004, about 88% of spot market transactions were conducted off-market as buyers attempted to minimize upward pressure on prices. Discretionary buying represented a higher proportion of spot buying in 2004 than in 2003, indicating that some market participants anticipate continued spot price increases.

Over 2004, the spot price increased by 43% to end the year at $20.60 (US) per pound of uranium.

Looking to 2005, we expect spot uranium demand to be about the same level as 2004. Utilities' requirements are generally well covered for 2005 and early 2006. Where uncovered requirements exist, Cameco expects utilities will, to the extent they can, take advantage of upward quantity flexibilities under older, lower priced contracts, rather than come to the spot market.

The recent trend of spot transactions being conducted quietly off-market is expected to continue in 2005. As was the case in 2004, there are a limited number of sellers with supply available for sale in the spot market in 2005.

Long-Term Uranium Market

Long-term contracting in 2004 is estimated to have been about 90 million pounds of uranium, an increase over the 75 million pounds estimated for 2003.

The industry average long-term price (according to industry sources TradeTech and Ux) on December 31, 2004 was $25.00 (US) per pound of uranium, up from $23.00 (US) at the end of the third quarter, and $15.50 (US) at the end of 2003.

We expect long-term contracting activity in 2005 will remain at about this level, as those utilities that have attempted to wait for prices to decline will be required to go to the market to begin filling uncovered requirements.

Dynamics have shifted to a more seller-oriented market, and we expect sellers will increasingly prefer to enter into longer-term deals. At the same time, some utilities, in particular those that are looking at the market fundamentals more strategically, and are concerned about supply beyond the end of this decade, are also interested in entering into longer-term contracts with sellers that can offer reliable supply over the longer term.

Uranium Business — Key Performance Drivers

The major factors that drive Cameco's uranium business results are:

- prices — spot and long-term,
- volume — sales, production, purchases,
- costs — production and purchases, and
- the relationship between the US and Canadian dollars.

Prices — Spot/Long-Term

Background

While Cameco generally does not sell uranium in the spot market, about 60% of the company's uranium under its long-term contracts is sold at prices that reference the spot market price near the time of delivery. The remaining 40% is sold at fixed prices or base prices escalated by an inflation index. Uranium is priced in US dollars per pound U_3O_8 .

Most of the company's spot market-related contracts were entered into a number of years ago when the average spot price was half the 2004 year-end price of $20.60 (US) per pound. These contracts generally contain ceiling prices. Due to the rapid increase in the uranium spot price in the latter part of 2003 and in 2004, a number of spot-market-related contracts reached ceiling prices. The impact of ceiling prices became significant as the spot price moved into the $14.00 (US) range.

Many of Cameco's fixed/base-price contracts were also entered into during the same period, when the long-term price indicator averaged less than $11.00 (US) per pound compared to the 2004 average of more than $20.00 (US) per pound. Long-term price indicators provide guidance on the level of fixed prices being signed in the long-term contract market. As a result, some of Cameco's current fixed-price contracts reflect the low long-term prices from the earlier periods.

The benefit of improved spot prices was partially offset by a less favourable foreign exchange rate. As a result, Cameco's average realized price for uranium sales was $12.89 (US) per pound of uranium compared to an average spot price of $18.60 (US) and average long-term price of $20.00 (US) in 2004.

Uranium Price Sensitivity 2005

For deliveries in 2005, a $1.00 (US) per pound change in the U_3O_8 spot price from the year-end level of $20.60 (US) per pound would change revenue by about $5 million (Cdn), net earnings by about $3 million (Cdn) and cash flows by about $4 million. This sensitivity assumes that 1.00 US dollar is equivalent to 1.32 Canadian dollars. Please see uranium price sensitivity discussion below.

Uranium Price Sensitivity Analysis 2005 to 2008

The impact of the current higher spot prices and long-term price indicators will benefit Cameco in the longer term as the company delivers uranium in the future under new contracts signed in the current environment.

Of note, at the end of 2004, the average uranium spot price was $20.60 (US), while the long-term price indicator was $25.00 (US). Historically, long-term prices have generally been at a premium of $1.00 to $2.00 over prevailing spot prices. At the end of 2004, that difference was about $4.00 (US) per pound. This spread is the consequence of the relatively low level of activity in the spot market over the last year or so, compared to the higher level of activity in the long-term market.

Current market fundamentals suggest that both spot and long-term prices should continue to strengthen, and we expect the spot price to move up somewhat more than the long-term price, so that the differential will move back to the more traditional spread of $1.00 to $2.00 (US).

Given the level of sales targeted each year (33 million pounds in 2005), the company is continually in the market signing new contracts for deliveries that will begin two to three years hence. About 25% to 30% of the current contract portfolio expires each year, and is replaced in large part with contracts that were entered into in the past two to three years.
During this period of increasing spot and long-term prices, the company has continued to enter into new multi-year contracts with improved terms. The new contract portfolio will reflect a mix of fixed and market-related prices. For the time being, Cameco continues to target its traditional blend of pricing mechanisms, that is, 40% of sales volume with fixed pricing and 60% sensitive to market pricing. Contracts with market-related pricing will reference the spot or long-term price indicators quoted near the time of delivery. These market-related contracts typically contain ceiling and floor prices. However, in recent months, we have been offering ceiling prices much higher than current spot prices, if at all. We have also been negotiating floor price protection, which has been in the range of current spot prices.

The fixed-price contracts will have prices that were fixed at the time of contract signing. This means the company has contracts at fixed prices below and above the current spot market prices and they fall into the category of “insensitive” to market price.

We believe this contract mix continues to be appropriate given our view that market prices will strengthen. At the same time, this contract mix allows us to lock in the significant differential between current spot and long-term prices, and provides firm support for our growth strategy.

The following table indicates the approximate percentage of targeted sales volume that will be impacted by further increases in the market price above $20.60 (US) per pound U_3O_8. As shown in the table below, the proportion of targeted sales that is sensitive to further increases in the market price grows significantly in 2006 and continues in 2007 and 2008.

	% Sales Target			
	2005	2006	2007	2008
Price Insensitive[1]	91%	65%	59%	43%
Price Sensitive[2]	9%	35%	41%	57%

1 fixed-price contracts and market-related contracts not sensitive to increases in the spot price above year-end 2004 level of $20.60 (US) per pound

2 market-related contracts plus uncommitted volumes

Volume — Sales, Production, Purchases

Sales Volume
In 2004, Cameco sold more than 32 million pounds of uranium, representing a 9% decline from last year's record quantity of 35 million pounds. Sales volumes were deliberately reduced to better reflect production and desired inventory levels. Cameco's uranium sales volumes are expected to total more than 33 million pounds in 2005.

For the five-year period 2005 to 2009, Cameco has more than 120 million pounds of uranium sales committed. Of these sales commitments, about 70% will be delivered during 2005 to 2007. Cameco's committed sales decline rapidly after 2007 and they will be replaced in the normal course with new contracts reflecting prevailing market conditions at the time they are completed.

Cameco sells more uranium than it produces from its mines. Cameco's sales commitments are filled by a combination of sources consisting of mine production, long-term purchase arrangements, spot purchases and inventory.

Production Volume

Uranium Production

Cameco's Share of Production (million lbs U_3O_8)	2005 Planned	2004 Actual	2003 Actual
McArthur River/Key Lake	13.1	**13.1**	10.6
Rabbit Lake	5.8	**5.4**	5.9
Smith Ranch-Highland	1.5	**1.2**	1.2
Crow Butte	0.8	**0.8**	0.8
Total	21.2	**20.5**	18.5

McArthur River/Key Lake

Production at McArthur River/Key Lake totalled 18.7 million pounds of uranium in 2004, 24% higher than in 2003. Cameco's share was 70% or 13.1 million pounds. The increase was due to McArthur River producing for a full year, whereas in 2003 operating difficulties required the mine to be shut down for three months.

The Canadian Nuclear Safety Commission (CNSC) approved renewal of the operating licences for Key Lake and McArthur River on October 25, 2004 until October 31, 2008.

Cameco has applied for an increase in the annual licenced capacity at McArthur River and Key Lake to 22 million pounds per year compared to 18.7 million pounds currently. The CNSC has indicated that the application will require a screening level environmental assessment (EA) under the Canadian Environmental Assessment Act. We are hopeful for a decision from the CNSC late in 2005. If approval is received, Cameco expects it will take about two years to ramp up production. We are developing a plan to determine the optimal sustainable production rate, which may be less than the licensed capacity.

Production at McArthur River/Key Lake in 2005 is expected to remain at the same level as 2004. Production would increase modestly if the CNSC approves the capacity increases at these facilities in late 2005.

Rabbit Lake

Rabbit Lake produced 5.4 million pounds U_3O_8 in 2004, down 8% from 2003. The decrease was due mainly to difficult mining conditions resulting in reduced mill feed.

Significant exploration drilling occurred in 2004 with over 52,500 metres drilled. The program has been successful to date, extending mine life to 2007. Additional underground and surface drilling will take place in 2005.

Rabbit Lake production is expected to increase modestly in 2005 over 2004 .

Smith Ranch-Highland and Crow Butte

The Smith Ranch-Highland (Wyoming) and Crow Butte (Nebraska) in-situ leach (ISL) mines produced a total of 2.0 million pounds of uranium in 2004. Production is expected to increase 15% in 2005 to 2.3 million pounds. We are planning to at least double production from Wyoming over the next several years to help meet the need for new uranium supply.

Uranium Projects

Cigar Lake

On December 21, 2004, after receiving a licence from the CNSC to construct a facility, the Cigar Lake joint venture decided to proceed with construction of the mine. Construction began on January 1, 2005 and will take about 27 months to complete. Assuming production begins in 2007, there will be a ramp up period of up to three years before the mine reaches expected full production of 18 million pounds per year. Cameco's share is 50%.

In making the development decision, the Cigar Lake joint venture approved a construction budget of $450 million (Cameco's share is $225 million) that includes surface and underground facilities at Cigar Lake as well as changes to the milling facilities at McClean Lake and Rabbit Lake. Proposed changes to the Rabbit Lake and McClean Lake facilities are subject to regulatory approvals.

Inkai

The ISL test mine at Inkai in Kazakhstan produced 0.47 million pounds of uranium in 2004 (Cameco's share is 60%).

The Inkai Joint Venture has decided to proceed with construction of the Inkai ISL mine. The joint venture intends to submit an environmental assessment and a design plan for the commercial facility to Kazakh regulatory authorities in the first half of 2005, with approval expected by third quarter 2005. Following approval, construction will begin with commercial production scheduled for late 2007. The Inkai Joint Venture has notified the Kazakh government that it intends to increase production to 5.2 million pounds per year at full capacity, up from the previous plan of 2.6 million pounds. The costs, net of sales proceeds from Inkai's test production, are capitalized until commercial production is achieved. The test mine at Inkai is projected to produce 0.45 million pounds of uranium in 2005.

The capital cost, excluding sales proceeds, to bring the new ISL mine to production is now estimated at $83 million (US), up from the earlier estimate of $38 million (US). The increase is due to the decision to double the plant production capacity and to increases in the costs of construction materials and plant equipment. Cameco has agreed to fund up to $40 million (US) of development, which includes the original test mine, with an interest-bearing loan. The Inkai Joint Venture will fund the remainder. Repayment of the principal amount of the loan is expected to start once commercial production commences. The Inkai Joint Venture is obligated to repay the loan and interest. To the end of 2004, Cameco had advanced $28 million (US).

Uranium Exploration

Cameco carries out mineral exploration for new uranium resources on substantial land holdings, principally located in two areas: the Athabasca basin of northern Saskatchewan and the Arnhem Land region in Northern Territory, Australia. The subdivision of lands (properties in which Cameco holds interests greater than 10%) and uranium exploration expenditures is as follows:

Area	hectares at Dec. 31, 2004	2004 actual expenditures (millions)
Saskatchewan	595,000	$ 8.9
Northwest Territories	133,000	$ 0.1
Australia	1,868,000	$ 5.1
Other	44,000	$ 2.9
Totals	2,640,000	$ 17.0

The majority of Cameco's exploration lands are explored as joint ventures with other mining companies, most often with Cogema Resources Inc. At year-end 2004, Cameco operated about 80% of its exploration projects, including joint ventures. The majority of Cameco's exploration projects are early to middle stage, on which indications of economic grades and quantities of uranium have not yet been identified.

In 2004, Cameco also carried out surface exploration near existing mines, specifically the Rabbit Lake and McArthur River operations, with the intent to locate new resources that could be

developed to expand or extend these operations. This exploration, followed by underground drilling, was successful at Rabbit Lake adding 6.1 million pounds of probable reserves. Work on another advanced exploration project, the Cree Extension project, has advanced the Millennium discovery, initially made in 2000, to an indicated and inferred resource. For more information on the resources, see Cameco's 2004 annual information form.

Cameco owned a 25.2% interest in UEX Corporation at December 31, 2004, a TSX-listed junior exploration company formed in 2002 from a combination of exploration assets previously held by Cameco and Pioneer Metals Corporation. Cameco has certain rights related to financing, milling, and marketing future uranium deposits discovered by UEX. Once Cameco's interest falls below 20%, these special rights end. At December 31, 2004, the market value of Cameco's interest in UEX was about $81 million.

Since many areas of the world are known to host numerous types of uranium mineralization, Cameco actively investigates the uranium exploration potential of areas other than those described above. No major exploration projects are currently being undertaken in areas outside Canada and Australia.

Purchases

Cameco also has purchase commitments for uranium products and services from various sources. At the end of 2004, these purchase commitments totalled 71 million pounds uranium equivalent (most is in the form of UF_6) from 2005 to 2013. Of this, 60 million pounds is from exercising options under our agreement to purchase uranium from dismantled Russian weapons (the Russian HEU commercial agreement).

Costs

Cameco's cost of supply is influenced by its mix of produced mine material and uranium purchases.

Production costs at our Saskatchewan uranium mines, our largest source of production, are primarily fixed, with the largest component being labour. The largest variable operating cost is production supplies, followed by maintenance materials.

Uranium mine production costs are driven mostly by the complexity of the operation. Unit costs of production are driven primarily by the grade and size of the reserves. McArthur River is the world's largest, high-grade uranium mine. Its ore grade averages 25% U_3O_8 which means it can produce more than 18 million pounds per year by extracting only 100 to 120 tonnes of ore per day. While Rabbit Lake's average ore grade of 1% U_3O_8 is much lower, it compares favourably to other operating mines in the world that have ore grades generally below 0.5%.

ISL extraction methods can make even lower-grade orebodies commercially attractive. Worldwide, ISL mines typically recover uranium from orebodies with an average grade in the range of 0.1% U_3O_8. Cameco's cost of supply is influenced only modestly by the two US ISL operations, as the production from the ISL operations accounts for a small percentage of its total primary output. In 2005, US ISL production is expected to account for about 11% of the company's planned primary output.

Purchased product also affects Cameco's cost of supply. The majority of Cameco's purchase commitments are under long-term, fixed-price arrangements reflecting prices significantly lower than the current published spot and long-term prices. These purchase commitments totalled $1,086 million at December 31, 2004. See note 21(d) to the consolidated financial statements. A significant portion of these purchased pounds will be delivered into existing sales contracts.

Foreign Exchange

The relationship between the Canadian and US dollars affects the financial results of the uranium business as well as the conversion business. For that reason, the effect on both businesses will be discussed in this section.

In 2004, the strengthening of the Canadian dollar against the US dollar affected Cameco's results. Cameco sells the majority of its uranium and conversion services in US dollars while most of its uranium and conversion services are produced in Canada. As such, the company's uranium and conversion services revenue is denominated mostly in US dollars, while its production costs are denominated primarily in Canadian dollars.

The company attempts to provide some protection against exchange rate fluctuations by planned hedging activity designed to smooth volatility. Therefore, Cameco's uranium and conversion revenues are partly sheltered against declines in the US dollar in the shorter term.

In addition, Cameco has a portion of its annual cash outlays denominated in US dollars, including uranium and conversion services purchases, which provide a natural hedge against US currency fluctuations. While natural hedges provide cash flow protection against exchange rate fluctuations, the influence on earnings from purchased material that has been inventoried may be dispersed over several fiscal periods and is more difficult to identify.

During 2004, the Canadian dollar strengthened against the US dollar from $1.2924 at December 31, 2003 to $1.2036 at December 31, 2004.

At December 31, 2004, Cameco had a foreign currency hedge portfolio of $748 million (US). The schedule of designations, by year, is as follows:

Designations	2005	2006	2007	2008
($US millions)	348	185	130	85

These hedges are expected to yield an average exchange rate of $1.3010. The net mark-to-market gain on these hedge positions was $68 million at December 31, 2004.

For 2004, $255 million (US) of Cameco's uranium and conversion revenue was hedged using currency contracts at an average rate of $1.4732. As of December 31, 2004, about 75% of 2005 uranium and conversion revenue was hedged using currency contracts expecting to yield an average rate of $1.3214.

For 2005, every one-cent change in the US to Canadian dollar exchange rate would change net earnings by about $2 million (Cdn).

Timing differences between the settlement and designation dates of hedge contracts may result in deferred revenue or deferred charges. At December 31, 2004, deferred revenue totalled $23 million. The schedule for deferred revenue to be released to earnings, by year, is as follows:

Deferred revenue	2005	2006	2007	2008
($Cdn millions)	30	8	(8)	(7)

Uranium Strategies

Cameco's overall objective is to build on and leverage our competitive advantage in uranium. In doing so, we strive to meet three major goals:

- maintain our low-cost position,
- protect and grow our market position, and
- improve our supply flexibility.

There are a number of key strategies the company uses to achieve its goals:

Maintain our low-cost position by:

- adding low-cost reserves:
    - through acquisition,
    - exploration around existing operations as well as in current and new regions of interest, and
    - by validating the potential for competitive ISL production from existing properties.
- improving margins by:
    - adjusting the rate of production to yield the highest rate of return,
    - gaining cost efficiencies through quality and business process improvements, and
    - pursuing fundamental productivity gains through technological development.

Protect and grow our market position by:

- leveraging industry relationships to participate in new production,
- ensuring sustainable production by identifying and exploring for new uranium reserves,
- seeking appropriate acquisitions, and
- developing customer relationships and expanding the range of services currently available while enhancing the company's reputation as a secure supplier.

Improve supply flexibility by:

- bringing on Cigar Lake and Inkai production in timely fashion,
- continuing to pursue a global exploration program, and
- securing additional secondary supplies.

Capability to Deliver Results

Cameco will continue to enhance capabilities in a number of areas to execute our strategies and deliver on our goals. We need to ensure that:

- other mining methods continue to be advanced to allow us to maintain or expand our annual production,
- skilled tradespeople will continue to be available,
- adequate human resources are available to replace an aging workforce,
- capital is readily available over the longer term given our expansion plans, and
- adequate resources are allocated to exploration.

Mining Methods

Currently, McArthur River uses raise boring to extract ore from the mine. As we anticipated from the start of mining, other mining methods may be used to maintain or expand production. We continue to examine and advance other mining methods.

We also plan to use the jet boring method at Cigar Lake, which has been tested through test mining programs. We continue to advance this technology as we move towards Cigar Lake startup.

Skilled Tradespeople

Cameco has significant experience in developing uranium mines. The biggest challenge in meeting our Cigar Lake construction timetable is in securing skilled tradespeople who are currently in short supply. This shortage affects all of our operations. Cameco is examining various options to build on our extensive apprenticeship programs.

Human Resources

Canada's workforce is aging. Cameco's challenge is to compete for the limited number of people entering the workforce to replace retiring employees. Approximately 26% of the workforce at our Saskatchewan uranium mines was age 50 or more at December 31, 2004. We are developing a people strategy to meet that challenge.

Ready Access to Capital

Cameco has an ambitious plan to grow in the nuclear energy industry. Opportunities to invest are unpredictable and often capital intensive. We intend to maintain financial flexibility to pursue opportunities as they arise. For that reason, we maintain a conservative financial structure with a target of no more than 25% net debt to total capital.

Exploration Programs

Cameco maintained an exploration program during the depressed price cycles to retain uranium exploration expertise. However, more funding is required to achieve our goal of increasing our reserve base to grow our uranium market leadership position.

Cameco plans to invest about $23 million in uranium exploration during 2005 as part of its long-term strategy to maintain its leadership position in uranium production. In 2004, uranium exploration expenditures were about $17 million, up $4 million from 2003.

Cameco is pursuing a focused exploration program to identify additional uranium reserves for the future to maintain the company's position as the world's largest uranium producer.

Uranium Business Results

Highlights	2004	2003	% Change
Revenue ($ millions)	**581**	570	2
Gross profit ($ millions)	**104**	83	25
Gross profit %	**18**	15	20
Earnings before taxes ($ millions)	**91**	70	30
Average realized price			
($US/lb)	**12.89**	10.99	17
($Cdn/lb)	**17.97**	16.08	12
Sales volume (million lbs)	**32.3**	35.4	(9)
Production volume (million lbs)	**20.5**	18.5	11

Cameco's uranium business consists of the McArthur River, Key Lake and Rabbit Lake mine/mill operations in Saskatchewan, two ISL mines in the US, the Inkai ISL test mine in Kazakhstan, the Cigar Lake development project in Saskatchewan and uranium exploration projects located primarily in Canada and Australia.

Revenue

In 2004, Cameco established a new record for uranium revenue for the third consecutive year. Revenue from the uranium business increased by 2% to $581 million from $570 million in 2003, due to a 12% increase in the realized selling price reflected in Canadian dollars. This improvement was the result of an increase in the uranium spot price, which averaged $18.60 (US) in 2004 compared to $11.54 (US) in 2003. The benefit of the improved spot price was partially offset by contract price ceilings and a less favourable foreign exchange rate.

Also offsetting the price improvement was a deliberate reduction in sales volume to better reflect production and inventory levels. In 2004, uranium deliveries amounted to about 32 million pounds, representing a 9% decline from last year's record quantity of 35 million pounds.

Cost of products and services sold

For 2004, the total cost of products and services sold was $378 million compared to $394 million in 2003, reflecting the 9% decline in sales volume. On a per unit basis, the cost of product sold was about 5% higher than in the previous year. The cost of sales for 2003 included $24 million in rehabilitation costs due to the mining difficulties at McArthur River. Excluding these costs and a $7 million royalty recovery recorded in 2003, the unit cost of sale rose by 10% due to higher costs for purchased uranium and higher production costs at Rabbit Lake.

Depreciation, depletion and reclamation

In 2004, depreciation, depletion and reclamation (DD&R) charges were $100 million compared to $93 million in 2003, due to a higher unit cost. On a per unit basis, costs rose by about 15% as the result of a higher proportion of sales of McArthur River and ISL material which carry a relatively higher DDR rates.

Gross profit

In 2004, gross profit from the uranium business amounted to $104 million compared to $83 million in 2003, an increase of 25%. This was largely attributable to the higher spot price, which resulted in a 12% increase in the realized price and was partially offset by higher unit costs for uranium concentrates. Earnings before taxes from the uranium business increased by $21 million in 2004 and the profit margin improved to 18% from 15% in 2003.

2005 Outlook for Uranium

In 2005, Cameco's uranium revenue is expected to be about 10% higher than in 2004 due to a projected 6% improvement in the Canadian dollar selling price and a 4% increase in deliveries. Uranium sales volume is expected to total more than 33 million pounds in 2005. About 35% of uranium deliveries are expected to occur in the last quarter of the year. In 2005, Cameco's share of uranium production is projected to increase to 21 million pounds U_3O_8. Uranium margins are expected to improve to nearly 25% compared to 18% in 2004.

CONVERSION BUSINESS

Conversion Demand

The demand for UF_6 conversion services is directly related to the level of electricity generated by light water nuclear power plants. The demand for UO_2 conversion services is linked to the level of electricity generated by Candu heavy water nuclear power plants.

World demand for UF_6 and natural UO_2 conversion services was estimated to be about 68 million kilograms of uranium (kgU) in 2004. Western world demand accounted for almost 60 million kgU with the remaining 8 million kgU coming from the non-western world (Russia, China and Eastern Europe).

Over the next 10 years, to 2014, western world demand is expected to increase by 12% to about 67 million kgU and non-western world demand by 63% to about 13 million kgU. In 2005, total world conversion demand is expected to increase by about 3% to 70 million kgU.

Conversion Supply

The western world UF_6 conversion industry consists of Cameco and three other commercial producers with an annual capacity of about 45 million kgU. Cameco's annual UF_6 conversion capacity constitutes about 28% of western world capacity.

In 2001, British Nuclear Fuels Limited (BNFL), with annual conversion capacity of about 6 million kgU, announced it would close its plant in 2006 and sold its uncommitted UF_6 production to Cameco.

In addition, supplies are available from secondary sources including excess western inventories, Russian inventory sales in the form of low enriched uranium, Russian re-enriched depleted tails in the form of UF_6 and Russian and US uranium derived from dismantling nuclear weapons.

Russia supplies most of the UF_6 conversion requirements of the former Soviet Union and Eastern Europe in the form of low enriched uranium.

Conversion Markets

Utilities contract more than 90% of their UF_6 conversion services through medium- and long-term contracts, purchasing the remainder on the spot market. Cameco is the only commercial supplier in the world of conversion for natural UO_2 customers. Cameco also exports UO_2 to South Korea for its Candu reactors and to the US and Japan for use as blanket fuel in boiling water reactors.

Spot/Long-Term Conversion Market

Due to tightening of supply, spot prices for UF_6 rose by about 50% in 2004. The industry average spot market price (according to industry sources TradeTech and Ux) for North American uranium conversion services at December 31, 2004 was $9.00 (US) per kgU, up 53% from the end of 2003. In Europe, the industry average spot conversion price was $10.00 (US) per kgU at December 31, 2004, an increase of 48% from the end of 2003.

The industry does not publish UO_2 prices.

Conversion Business — Key Performance Drivers

The major factors that drive Cameco's conversion business results are:

- prices — spot and long-term,
- volume — sales, production and purchases,
- costs — production and purchases, and
- the relationship between the US and Canadian dollars.

Prices — Spot/Long-Term

Cameco sells its conversion services directly to utilities located in many parts of the world, primarily through medium- and long-term contracts. Conversion services are priced in US dollars per kgU. The majority of conversion sales are at base-escalated prices. Cameco's financial results for 2005 are relatively insensitive to changes in the spot price for conversion. In 2004, most conversion sales did not benefit from the significant increase in UF_6 conversion spot prices during the year.

Going forward, nearly all contract commitments, for more than 50 million kgU, have pricing terms that are base-price escalated.

Cameco continues to sign new long-term contracts with base prices that generally reflect longer-term prices at the time of the contract award. Therefore, in the coming years, Cameco's contract portfolio will be positively affected by these higher fixed-price contracts.

Volumes — Sales, Production, Purchases

Sales Volume

Cameco sold a record 16.9 million kgU in 2004, up marginally from 16.7 million kgU in 2003. Conversion sales volume is expected to total about 16.2 million kgU in 2005.

Production Volume

At Cameco's Port Hope facilities, conversion production totalled 9.5 million kgU in 2004, down 29% compared to 2003. The decrease reflects the lengthy shutdown as a result of the summer vacation period, the seven-week labour disruption and some production rescheduling.

Production for 2005 is projected to be about 13.5 million kgU, up 42% compared to 2004 .

Purchase Volume

Cameco also has purchase commitments, which primarily reflect the conversion component of the LEU from Russian HEU, re-enriched tails product and the company's agreement to purchase BNFL's excess production until the shutdown of its plant in 2006. Cameco's UF_6 conversion purchase commitments from 2005 to 2013 total about 27 million kgU, most in the form of UF_6.

Costs

Cameco's mix of production and purchases influences its cost of supply. Conversion operating costs are primarily fixed with the largest component being labour. The largest variable operating cost is for anhydrous hydrogen fluoride, followed by energy (gas and electricity).

The majority of Cameco's UF_6 conversion purchase commitments are under long-term, fixed-price arrangements reflecting prices lower than the current spot prices. A significant portion of these purchases have been committed under existing sales contracts.

Foreign Exchange

The majority of the company's conversion products are sold in the US and sales are denominated in US dollars, while production costs are incurred in Canada and denominated in Canadian dollars. As a result, the strengthening of the Canadian dollar against the US dollar in 2004 negatively affected Cameco's results. A discussion about Cameco's hedging program can be found in the uranium business section under the heading "Foreign Exchange".

Conversion Strategies

Cameco's objective is to build on and leverage its competitive advantage in conversion services. In doing so, it strives to meet three major goals:

- maintain low-cost position,
- protect and grow its market position, and
- improve its supply flexibility.

To achieve these goals, the company's strategies are to:

- improve margins by gaining cost efficiencies through quality and business process improvements and pursuing productivity gains through technological development,
- grow market share through product diversification to meet changing nuclear fuel requirements,
- optimize capacity utilization to meet the growing need for new supply in the long term,
- pursue partnering and other opportunities with other nuclear fuel cycle participants, and
- secure secondary supplies.

Capability to Deliver Results

Cameco is pursuing the opportunity provide a new fuel type to Bruce Power that will enhance its conversion supply capabilities. The Port Hope conversion facility currently supplies natural UO_2 powder for the manufacture of fuels for Candu reactors operating in Canada and other countries. The market for UO_2 is changing, at least partially, due to the planned introduction of slightly enriched uranium (SEU) in place of the natural uranium dioxide in some Candu reactors. SEU is a uranium dioxide powder that has an enrichment level up to 2.5% U-235, and is the primary uranium component of a new type of fuel that is proposed for use. The new fuel will increase the number of bundles as well as the concentration of U-235. This will result in an inherently safer design as the same amount of bundle power is distributed to more elements, reducing fuel element temperatures. The new design also incorporates a metal called dysprosium that will enhance the safety of the reactor by adding an additional braking feature. Commonly used in magnets and halogen lights, dysprosium has the ability to readily absorb neutrons and safely shut down a reactor.

Cameco's technology development group developed the process to produce SEU through blending, providing the company with an opportunity to participate in a changing market.

Our initial plan is to produce SEU for Bruce Power's B reactors as part of a power uprate project that is expected to add about 400 megawatts to Ontario's electricity grid, an increase of almost 9% over current capacity.

In 2004, work continued toward regulatory approval of plans to produce SEU at Port Hope. The final environmental assessment (EA) study report was submitted for review in November to the CNSC and other agencies. The CNSC will gather the responses and prepare a draft screening report to be issued for public comment. The regulatory process was delayed by about six months by a peer review of the company's draft EA study report undertaken by the municipality of Port Hope in response to community concerns. The peer review conclusions generally supported the EA study report. Engineering work has continued on the detailed design of the SEU blending facility.

The total annual quantity of SEU produced will depend on future market development. The SEU product would replace a limited volume of the current natural UO_2 product sales. Production of SEU at our Port Hope operation is subject to regulatory approval.

Cameco believes it has the appropriate capabilities in place to maintain its low-cost status, protect and grow its market position and improve its supply flexibility. We need to remain competitive in the longer-term and have the flexibility to quickly take advantage of future new market opportunities. Cameco is currently reviewing options to grow the conversion business to meet these longer-term opportunities.

As with our uranium business, we need to ensure we have adequate human resources to replace the aging workforce. About 40% of the conversion services workforce was age 50 or more at December 31, 2004.We are developing a people strategy to meet that challenge.

Conversion Business Results

Cameco's conversion business consists of the uranium refining and conversion facilities located in Ontario.

Highlights	2004	2003	% Change
Revenue ($ millions)	**144**	142	1
Gross profit ($ millions)	**33**	40	(18)
Gross profit %	**23**	28	(18)
Earnings before taxes ($ millions)	**31**	38	(18)
Sales volume (million kgU)	**16.9**	16.7	1
Production volume (million kgU)	**9.5**	13.3	(29)

Revenue

Revenue from the conversion business rose marginally in 2004 to $144 million from $142 million in 2003 due to a 1% increase in selling price and a 1% increase in sales volume. Record annual conversion sales of 16.9 million kgU were achieved.

Cost of products and services sold

In 2004, the cost of products and services sold was $102 million compared to $92 million in 2003, an increase of 11% due to higher unit costs. In 2004, unit costs were adversely affected by a 29% decline in production related to a labour dispute. Since it is Cameco's policy to account for its inventory on a weighted average basis, the unit cost of product sold tends to rise as production declines. On a per unit basis, the cost of products and services sold increased by about 9% over the previous year.

Depreciation, depletion and reclamation

In 2004, depreciation, depletion and reclamation (DD&R) charges were $10 million compared to $11 million in 2003. In spite of higher deliveries, total DD&R declined compared to 2003 as sales in 2004 included a higher proportion of purchased conversion.

Gross profit

In 2004, gross profit from the conversion business amounted to $33 million compared to $40 million in 2003, a decrease of 18%. This decline was largely attributable to the higher unit cost of product sold. The gross profit margin for the conversion business declined to 23% from 28% in 2003.

Conversion Services Outlook for 2005

Revenue from the conversion business is likely to be marginally higher than in 2004 due to an expected 5% increase in the average realized selling price, partially offset by a forecast 4% reduction in deliveries. Conversion sales volume is expected to total about 16.2 million kgU in 2005 compared to 16.9 million kgU in 2004. Production for 2005 is projected to be about 13.5 million kgU, up from 9.5 million kgU in 2004. As a result, unit costs are expected to be lower than in 2004, improving the profit margin.

NUCLEAR ELECTRICITY BUSINESS

Cameco has a 31.6% interest in the Bruce Power Limited Partnership. Bruce Power's business is the generation and sale of electricity into the Ontario wholesale market. Bruce Power generates electricity from four Bruce B and two Bruce A nuclear-powered units. These six units have the capacity to supply about 20% of Ontario's electricity needs.

In addition to the carrying value of its investment in Bruce Power, Cameco has provided certain financial assurances on behalf of the partnership. Cameco's maximum exposure under these arrangements is $203 million. At December 31, 2004, the actual exposure was $130 million. See note 16 to the consolidated financial statements.

Cameco has extended a $75 million loan to the partnership. The loan is due February 14, 2008 and bears interest at 10.5% per annum. At December 31, 2004, the entire amount was outstanding.

Cameco has entered into fuel supply agreements with Bruce Power for the procurement of the fabricated fuel. Under these agreements, Cameco will supply uranium and conversion services, and contract for and finance the purchase of fabrication services. Contract terms are generally at

market rates and on normal trade terms. During 2004, sales of uranium and conversion services to Bruce Power amounted to $25 million, representing 2.4% of Cameco's total revenue. At December 31, 2004, amounts receivable under these agreements amounted to $21 million.

Ontario Electricity Market

On December 9, 2004, the Ontario government passed legislation that will restructure the electricity sector to address the widening gap between supply and demand in the province. Bill 100 details a range of measures intended to encourage private investment, expand market participation, maintain price stability and construct or conserve 25,000 MW of capacity by 2020.

The government has established the Ontario Power Authority to ensure adequate supply, and to promote new supply through requests for proposals or other negotiations.

The bill includes a requirement that the Independent Electricity System Operator (previously the Independent Electricity Market Operator) ensures that power users pay the true cost of electricity, taking into consideration the mix of regulated and market prices paid to generators. Cameco expects the legislation will bring much needed clarity and stability to Ontario's electricity sector.

Nuclear Electricity Business — Key Performance Drivers

The major factors that drive Bruce Power's results are:

- prices,
- volume, and
- costs.

Prices

Bruce Power earnings are significantly affected by fluctuations in electricity spot market prices, which in turn are affected by supply (temporary generating station shutdowns) and demand (mainly driven by weather).

To reduce its exposure to fluctuations in spot market prices, Bruce Power has a portfolio of fixed-price sales contracts. Bruce Power's proportion of output being sold under fixed price contracts will continue to decrease in 2005. For 2005, 36% of Bruce Power's planned output is expected to be sold under fixed-price contracts. This compares with 48% in 2004 and 65% in 2003. The major reason is the uncertainty in Ontario's electricity market, as buyers and sellers have adopted a "wait and see" attitude to forward contracting until the market structure is stronger.

Volume

Bruce Power's output is affected by shutdowns, both those that are planned for maintenance and those that are unplanned. Bruce Power attempts to achieve high output through effective maintenance programs, as well as various investments that can help secure and improve performance. Since about 95% of Bruce Power's costs are fixed, volume improvements are directly reflected in financial results.

Costs

In 2004, operating costs (including depreciation and amortization) totalled $1,178 million, 38% higher than in 2003. This was due primarily to the fact that six units are operational rather than four and the resulting increase in staff and material costs.

Growth

Bruce Units A1 & A2

Bruce Power is examining the feasibility of restarting Bruce A units 1 and 2 to serve Ontario's growing electricity needs. The feasibility study and project plan are expected to be completed in 2005 and Bruce Power management and the Bruce Power partners will review them. Cameco expects to make a decision in 2005 on whether or not to proceed with this investment.

Cameco believes that looking at restarting these two units is a logical first step in determining if Bruce Power can play a growing role in meeting Ontario's future energy needs. The study will determine if an adequate return on investment can be achieved. The study will also establish what improvements are needed to extend the lives of the four Bruce B reactors and the two operating Bruce A reactors, which are scheduled to be taken out of service over the next 15 years.

Point Lepreau

Cameco, together with TransCanada and BPC Generation Infrastructure Trust, continues to study the potential investment in the Point Lepreau nuclear generating station in New Brunswick. They have asked Bruce Power Inc. to conduct on-site due diligence as part of an evaluation of the facility. The evaluation process and discussions continue, with New Brunswick Power asking Bruce Power to submit a firm proposal for the refurbishment of the Point Lepreau station.

Point Lepreau is a 680-MW Candu reactor similar to the Bruce Power reactors in Ontario.

Capability to Deliver Results

Bruce Power has an experienced executive team leading about 3,600 highly skilled employees. Together they achieved a 37% increase in output during a year where a vacuum building inspection was completed and required the four B units to be shutdown for about one month. Bruce Power has invested, and continues to invest, substantial amounts to improve reactor output and reliability.

At the same time, Bruce Power's ongoing emphasis on safety was reflected in its accident frequency of zero acute lost-time injuries for every 200,000 hours worked in 2004. That was significantly better than the company's already ambitious target of 0.2 acute lost-time injuries for every 200,000 hours worked.

Bruce Power's cash flows provide a source of funds to make investments that improve its operational performance and expand its capacity.

Cameco has a goal to expand its nuclear generation business using Bruce Power and through Cameco directed activities. We can draw upon our direct experience from Cameco's partnership

in Bruce Power and will further enhance our capabilities internally to pursue further growth in this business.

Cameco intends to build in-house expertise in reactor operations and electricity marketing. We seek to do this in a number of ways. First, when possible, we gain insight into the operational and commercial side of the business from Bruce Power. Second, we pursue nuclear generating opportunities that have the potential to augment our knowledge. For example, when Cameco bid on the South Texas Project, which we ultimately did not win, we would have had the opportunity to market our share of the electricity in the Texas market. The South Texas Project would have also given us more insight into light water reactor technology, expanding our knowledge beyond the Candu technology at Bruce Power. Third, we seek active ownership to allow, where possible, participation in management oversight of generation facilities.

Electricity Business Results

The operating results of Bruce Power are accounted for using the equity method and thus Cameco's share of Bruce Power earnings are not consolidated with Cameco's net earnings.

Bruce Power Limited Partnership (100% basis)

	2004	2003	%Change
Output (terawatt hours)	**33.6**	24.5	37
Capacity factor (%)*	**82**	85	(4)
Realized price ($/MWh)	**47**	48	(2)
($ millions)			
Revenue	**1,583**	1,208	31
Operating costs	**1,178**	853	38
-cash costs (materials, labor, services & fuel)	**1,017**	764	33
-non cash costs (depreciation & amortization)	**161**	89	81
Earnings before interest and taxes	**405**	355	14
Interest	**67**	69	(3)
Earnings before taxes	**338**	286	18
Cash from operations	**439**	387	13
Capital expenditures (including sustaining capital)	**359**	528	(32)

*Capacity factor for a given period represents the amount of electricity actually produced for sale as a percentage of the amount of electricity the plants are capable of producing for sale.

Cameco's Earnings from Bruce Power

($ millions)	2004	2003	%Change
Bruce Power's earnings before taxes (100%)	**338**	286	18
Cameco's share of pre-tax earnings before adjustments	**107**	77	39
Adjustments:			
Sales contract valuation	**19**	20	5
Interest capitalization	**2**	12	(83)
Interest income on loan to Bruce Power	**8**	7	14
Fair value increments on assets	**(15)**	(8)	113
Pre-tax earnings from Bruce Power	**121**	108	12

Earnings

In 2004, Bruce Power earnings before taxes were $338 million compared to $286 million in 2003. The increase can be attributed to higher electricity generation in 2004 compared to 2003. Cameco's pre-tax earnings from Bruce Power in 2004 amounted to $121 million compared to $108 million in 2003.

Revenue

In 2004, revenue totalled $1,583 million, up 31% from 2003. Bruce Power's realized price averaged $47 per MWh from a mix of contract and spot sales, a 2% decrease over the same period last year. The Ontario electricity spot price averaged about $50 per MWh during 2004 compared to $54 per MWh a year earlier. During 2004, about 48% of Bruce Power's output was sold under fixed-price contracts compared to 65% in 2003.

The Bruce Power units achieved a total capacity factor of 82% in 2004, down from 85% in 2003. Bruce Power produced 33.6 TWh in 2004, an increase of 37% over the previous year, reflecting the addition of the two A units, as well as the 3% increase in reactor power at unit B6, which was achieved through fuel reconfiguration.

Costs

In 2004, operating costs (including depreciation and amortization) totalled $1,178 million, 38% higher than in 2003. This was primarily as a result of operating six units rather than four and the resulting increase in staff and material costs.

Cash operating costs were impacted by outage expenses incurred during 2004 and included $16 million for the technical feasibility study of restarting units A1 and A2. In 2004, depreciation and amortization expense was up 81% compared to 2003 due primarily to the amortization of capital costs related to the restart of units A3 and A4.

About 95% of Bruce Power's operating costs are fixed. As such, most of the costs are incurred whether the plant is operating or not. On a per unit basis, the 2004 operating cost was $35 per MWh, similar to 2003.

Cash from Operations

For 2004, Bruce Power generated $439 million in cash from operations compared to $387 million in 2003 due to increased generation. All of Bruce Power's cash flow has been reinvested in its plants.

Capital Expenditures

In 2004, capital expenditures were $359 million compared to $528 million in 2003 when programs to restart units A3 and A4 were under way. The $359 million expenditure in 2004 was less than the expected $400 million due to a reorganization of planned outages, some savings and a deferral of about $15 million into 2005.

For 2004, Bruce Power's operating cash flows, along with cash on hand, allowed for the repayment of $110 million of short-term debt.

Outlook for 2005

Bruce Power's results in 2005 are anticipated to decline modestly from 2004 due to increased costs related to higher depreciation and amortization on the A units, higher outage costs and higher fuel costs. Results, however, are sensitive to the Ontario electricity price, where the market structure is under review, and the operating performance of the Bruce Power units.

2005 Planned Outages

Refurbishment of existing unit critical components is planned in 2005 as part of the maintenance program outlined below. Capacity factors for the year are expected to average about 85%. For 2006, a significant reduction in time and expenditure on refurbishment programs for the six reactors currently operating is anticipated. This excludes any potential refurbishment efforts for units A1 and A2. The long-term goal is to reach a capacity factor of 90%.

A units	• A3 began its first planned outage on January 8, 2005 and will be offline for about two months. • A4 is scheduled to go offline for inspection later in the first quarter for up to two months, returning to service in the second quarter.
B units	• One B unit is scheduled to go offline in the second quarter for up to three months, returning in the third quarter after low-pressure turbine rotors have been replaced. • One B unit has a scheduled outage in the third quarter to replace the low-pressure turbine rotors and clean steam generators . The outage is expected to last up to two months with the unit returning to service in the fourth quarter.

2005 Capital Expenditures (100%)

Bruce Power capital expenditure program for the two A and four B units is expected to total $375 million in 2005. This includes $110 million for sustaining capital and site service support, with the balance for refurbishment and upgrades.

2005 Capital Expenditures	$ million
Bruce B turbines/power uprate	95
Bruce A steam generators	90
Infrastructure Projects	80
Subtotal	**265**
Sustaining capital and site service support areas	110
Total	**375**

Cameco expects that funding of these projects will come entirely from Bruce Power cash flows. However, available funds will depend on the electricity market prices and the operational performance of the Bruce Power reactors.

At this level of planned capital expenditures, and excluding any new capital expenditures for growth initiatives such as the restart of units A1 and A2, cash distributions from Bruce Power are possible in 2005. The partnership will determine whether to take cash distributions or reinvest in Bruce Power or other growth initiatives. Any cash distributions will depend on the Ontario electricity market prices and the operating performance of Bruce Power.

Electricity Price Sensitivity Analysis

For 2005, about 36% of Bruce Power's planned output will be under fixed-price contracts. A $1.00 per MWh change in the spot price for electricity in Ontario would change Cameco's after-tax earnings from Bruce Power by about $5 million.

GOLD

Centerra Gold Inc.

Cameco owns 52.7% of Centerra, which is listed and publicly traded on the Toronto Stock Exchange (TSX). Centerra began trading on the TSX under the symbol CG in June 2004. We transferred substantially all of our gold assets to Centerra as part of our strategy to unlock the value contained in these gold properties.

The geographic focus of Centerra's exploration, development, and acquisition efforts is in Central Asia and the former Soviet Union. Centerra is a leading North American gold producer and the largest western-based gold producer in Central Asia and the former Soviet Union.

Centerra owns 100% of the Kumtor mine in the Kyrgyz Republic, a 95% interest in the Boroo mine in Mongolia and operates both mines. It also has interests in exploration properties, including a 100% interest in the Gatsuurt property in Mongolia, 35 kilometres from the Boroo mine, and a 62% interest in the REN property in Nevada.

Centerra's growth strategy is to increase its reserve base and expand its current portfolio of gold mining operations by:

- developing new reserves at existing mines from in-pit, adjacent and regional exploration,
- further delineating the mineralized zone at the REN property on the Carlin Trend in Nevada,
- pursuing new gold properties through exploration programs focused primarily on Central Asia and the former Soviet Union and other emerging markets, and
- actively pursuing selective acquisitions, with a focus on mid-to advanced-stage exploration and development properties primarily in Central Asia, the former Soviet Union and other emerging markets.

At the end of 2004, Centerra announced it had:

- increased reserves at both of its mines, extending mine lives by about one year, and
- significantly expanded resources at the Gatsuurt and REN projects.

Centerra is building its exploration program to further expand its reserve base and is actively seeking acquisitions. Cameco believes that Centerra will be successful in its growth strategy and ultimately add more value to our investment in Centerra.

In the longer term, Cameco will look for the right opportunity to reduce its gold investment and ultimately fully divest. It is not our intention to sell quickly, but rather to encourage Centerra to grow and gain value for Cameco's shareholders. The decision whether to divest will also depend on the need to fund other investment opportunities in the nuclear energy business.

For further information on Centerra, please see its annual report and annual information form for 2004 published in 2005.

Gold Operating Results

The operating results of the Kumtor Gold Company (Kumtor) have been fully consolidated as of June 22, 2004. Prior to that, Cameco proportionately consolidated its interest in Kumtor. Cameco also fully consolidates the results of Boroo, Centerra's gold mine in Mongolia. Cameco adjusts for a 47% minority interest in Centerra, which reflects that share of earnings attributable to shareholders other than Cameco.

(Fully consolidated financial highlights including the minority interest)

Financial Highlights	2004	2003	%Change
Revenue ($ millions)	**323**	114	183
Gross profit ($ millions)	**108**	40	170
Gross profit %	**34**	35	(3)
Selling price (US$/ounce)	**397**	334	19
Sales volume (ounces)[1]	**618,843**	234,864	163

[1] Comprising one-third of Kumtor to June 22, 2004 and 100% thereafter.

Production Highlights	2004	2003	%Change
Kumtor (100%)[1]			
Production (ounces)	**657,329**	677,553	(3)
Total cash cost [2]($US/ounce)	**202**	191	6
Boroo (100%)[3]			
Production (ounces)	**217,998**	—	—
Total cash cost[2](US/ounce)	**149**	—	—

1 Beginning in the third quarter of 2004, Cameco fully consolidates Kumtor's results.

2 Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP measures — Total cash costs"

3 Commercial operations commenced March 1, 2004.

Gold Financial Results

In 2004, revenue from the gold business increased to $323 million from $114 million in 2003, reflecting the full consolidation of Kumtor's results since June 2004 as well as production from the Boroo mine. A higher realized price for gold also added to revenue, increasing to $397 (US) in 2004 compared to $334 (US) in 2003. This was due to a reduced hedge level, which provided greater exposure to the higher spot price. The Canadian dollar revenue does not reflect this entire increase due to the strength of the Canadian dollar relative to 2003.

Production at the Kumtor mine decreased by 20,224 ounces in 2004 due to a lower ore grade that averaged 4.4 g/t compared to 4.5 g/t in 2003. Kumtor's total cash cost per ounce increased slightly to $202 (US) compared to $191 (US) in 2003 due to the decrease in production.

Production at Boroo totalled 217,998 ounces since commercial production was declared on March 1, 2004. Boroo's total cash cost per ounce was $149 (US) for the 10-month post-commercialization period.

The gross profit margin for gold declined marginally to 34% in 2004 compared to 35% in 2003.

Gold Outlook for 2005

Based on Centerra's current operations, total production for the year is forecast at 762,000 ounces, a decline of almost 16% from 2004, primarily as a result of lower ore grades at the Kumtor mine. However, Centerra's share of production is expected to increase to 750,000 ounces from 610,287 in 2004 due to the increased ownership level in both mines and a full year of operation at Boroo.

At Kumtor, production in 2005 is expected to decline to 512,000 ounces from 657,329 ounces in 2004, due to a lower ore grade averaging 3.5 grams per tonne (g/t) compared to 4.4 g/t in 2004. Total cash costs at Kumtor are expected to be higher at $255 (US) per ounce due to the reduced production. As a result, profits are expected to be lower than in 2004. For Boroo, 2005

production is expected to be similar to 2004, at about 250,000 ounces. Total cash cost is forecast to be $179 (US) per ounce.

Overall, gold earnings are expected to decline in 2005 from 2004 due to higher costs as a result of lower grades at Kumtor.

In January 2005, Centerra announced new reserve and resources estimates for its properties. Based on these estimates, Centerra has reported that the mine life at both Kumtor and Boroo would be extended by one year. Cameco's annual information form for 2004 includes these new reserve and resource estimates.

Gold Price Sensitivity Analysis

For 2005, gold sales are unhedged. A $10.00 (US) per ounce change in the gold spot price would change Cameco revenue by about $10 million (Cdn), cash flow by about $9 million (Cdn) and net earnings by about $4 million (Cdn).

2004 FOURTH QUARTER CONSOLIDATED RESULTS

Financial Highlights	Three Months Ended Dec. 31/04	Three Months Ended Dec. 31/03	% Change
Revenue ($ millions)	361	272	33
Earnings from operations ($ millions)	46	48	(4)
Cash provided by operations ($ millions)	59	79	(25)
Net earnings ($ millions)	37	34	9
Earnings per share ($) basic *(a)*	0.21	0.20	5
Earnings per share ($) diluted *(a)*	0.21	0.20	5

(a) All per share amounts reflect the share split on December 31, 2004.

Consolidated revenue rose 33% to $361 million in the fourth quarter of 2004, while net earnings increased 9% to $37 million or $0.21 per share. The improvement in fourth quarter net earnings was primarily due to higher realized prices in the uranium and gold businesses as well as significantly higher gold production.

These improvements were partially offset by reduced earnings in the conversion business and higher charges for administration, exploration and interest. Administration costs increased by $5 million due to higher expenses associated with operating Centerra Gold Inc. as a separate publicly traded company and increased stock compensation expenses.

Exploration expenses rose by $7 million reflecting the increased activity in the uranium and gold businesses. Interest and other costs were up $3 million as they included $7 million in deferred issue costs related to the redemption of Cameco's 8.75% preferred securities in the quarter. The impact of this expense was partially offset by higher interest income earned on cash balances held by Centerra.

The effective tax rate decreased to 10% in the fourth quarter of 2004, compared to 41% in the same period of 2003 due to a higher proportion of earnings coming from lower tax jurisdictions. The tax rate for the fourth quarter of 2003 reflected the impact of a change in Ontario tax legislation. Excluding the tax adjustment, the effective rate in the fourth quarter of 2003 was 32%.

Cash provided by operations in the fourth quarter was $59 million, compared to $79 million in the same period a year ago due to increased working capital requirements during the quarter.

For more information on the fourth quarter of 2004, please see Cameco news release dated January 27, 2004.

2003 – 2004 QUARTERLY CONSOLIDATED FINANCIAL HIGHLIGHTS

($ millions except per share amounts)	2004					2003				
Highlights	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Revenue	361	313	242	132	1,048	272	232	220	103	827
Net earnings	37	52	151	39	279	34	33	104	37	208
Earnings per share – basic (a)	0.21	0.30	0.89	0.23	1.63	0.20	0.20	0.62	0.22	1.24
Earnings per share – diluted (a)	0.21	0.29	0.83	0.23	1.56	0.20	0.19	0.61	0.22	1.22
Cash from operations	59	140	(21)	50	228	79	77	38	56	250

(a) Per share amount reflects the share split on December 31, 2004.

The following points are intended to assist the reader in analysing the trends in the quarterly financial highlights for 2004.

- Revenue trended higher throughout the four quarters due largely to a change in the ownership interest in the Kumtor mine. The third and fourth quarter revenues reflect the full consolidation of operating results from Kumtor whereas they were proportionately consolidated in the first half of the year.
- Revenue was significantly lower in the first quarter due to lower deliveries of uranium and conversion services.
- Net earnings do not trend with revenue and varied significantly from quarter to quarter for two main reasons. First, Cameco's earnings are significantly influenced by results from Bruce Power. The equity method of accounting is applied to the investment in Bruce Power and therefore no revenue is recorded. Second, the net earnings in the second quarter of 2004 reflect a net gain of $89 million as a result of the Centerra restructuring transactions which occurred in June.

2004 CONSOLIDATED RESULTS

Consolidated Earnings

For 2004, Cameco's net earnings were $279 million ($1.63 per share) compared to $208 million ($1.24 per share) in 2003. The earnings for each of these years include unusual items, which make comparisons difficult. In 2004, Cameco recorded a net gain of $94 million related to the

Centerra restructuring transactions and the results for 2003 included an $81 million tax adjustment as a result of changes in Canadian federal and Ontario provincial tax legislation. Excluding these items, Cameco recorded adjusted net earnings of $185 million ($1.08 per share) compared to $127 million ($0.75 per share) recorded in 2003. This $58 million increase was attributable to improved results in the uranium and gold businesses as well as stronger performance at Bruce Power, partially offset by higher charges for administration and exploration.

The improvement in the uranium business was due to a higher realized price, which was related mainly to the significant increase in the spot price for uranium. Earnings from Bruce Power benefited from a 37% increase in generation as a result of the restart of two A reactors (units 3 and 4). Results from the gold business improved due to increased production and a higher realized selling price.

Excluding the tax adjustment in 2003, the effective rate for income taxes in 2004 decreased to 19% from 33% as a higher proportion of earnings came from lower tax jurisdictions. Earnings from operations were $125 million compared to $75 million in 2003 and the aggregate gross profit margin increased to 23% from 20% in 2003.

Corporate Expenses

Administration

In 2004, administration costs were $70 million, an increase of $22 million due to a combination of higher costs related to establishing and operating Centerra ($9 million), increased stock compensation expenses ($5 million) and higher expenditures for regulatory compliance. In 2004, Cameco and its subsidiaries incurred costs of $2 million related to Sarbanes-Oxley compliance. In addition, there were increased costs associated with growth and quality initiatives.

Effective January 1, 2003, Cameco changed its accounting policy for stock-based compensation opting to record compensation expense at the fair value of the options granted. The total expense is amortized over the vesting period of the options. For 2004, stock option expenses amounted to $7.2 million compared to $2.4 million in 2003. See note 17 of the consolidated financial statements.

Interest and other

In 2004, interest and other costs declined by $2 million compared to 2003 due to reduced foreign exchange losses ($3 million) and to gains related to the ineffective portion of derivative hedging instruments ($7 million). These improvements were partially offset by expenses recorded in connection with the redemption of the 8.75% preferred securities in 2004. As a result of the redemption, Cameco expensed $7 million in deferred issue costs, which were previously being amortized over the 49-year life of the preferred securities. See note 11 of the consolidated financial statements.

Income Taxes

In 2004, income tax expense amounted to $73 million compared to a net recovery of $21 million for 2003. The tax expense for 2003 included $81 million in recoveries as a result of changes in

Canadian federal and Ontario provincial tax legislation.

Excluding the effects of the changes in legislation, income tax expense for 2004 was $13 million greater than in 2003. The effective income tax rate declined to 19% from 33% as a higher proportion of earnings came from lower tax jurisdictions.

Income tax expense also includes large corporations taxes which amounted to $6 million in 2004 and $5 million in 2003. See note 13 of the consolidated financial statements.

Cash Resources

Operating Activities

In 2004, Cameco generated cash from operations of $228 million compared to $250 million in 2003. This decrease of $22 million was primarily due to an increase in inventory levels, which more than offset the benefit of higher revenue.

Cameco's cash from operations does not include its pro rata interest in Bruce Power's operating cash flow. The pro rata share was $139 million in 2004 compared to $117 million in 2003. Cameco accounts for this investment using the equity method and thus Bruce Power's operating cash flows are not consolidated with Cameco's. For further information, refer to note 16 (c) of the consolidated financial statements.

Investing Activities

Cash used in investing activities decreased to $161 million from $463 million in 2003. This decline of $302 million was largely attributable to the $279 million investment in Bruce Power in 2003. In addition, expenditures in 2003 reflected the development of the Boroo mine. For 2004, investing activities included $34 million for sustaining capital at McArthur River/Key Lake, $28 million in development costs at Cigar Lake and $25 million in capitalized interest charges. The restructuring of the gold business required a net cash outlay of $4 million.

Financing Activities

In 2004, cash provided by operations exceeded cash used in investing activities by $67 million, allowing the company to repay $54 million of its long-term debt during the year. The initial public offering of common shares in Centerra generated $101 million after underwriters' fees. See note 20(a) of the consolidated financial statements.

Balance Sheet

Cash

At December 31, 2004, the consolidated cash balance totalled $190 million and Centerra held substantially the entire amount.

Inventories

At the end of 2004, total product inventories amounted to $387 million, $71 million or 22% higher than the previous year end. Of this increase, about $30 million was related to higher uranium inventory levels and about $25 million was due to an increase in unit costs for uranium. The remainder was related to higher gold inventory levels. See note 3 to the consolidated financial statements.

Debt

Effective January 1, 2004, Cameco changed its accounting policy for financial instruments. This change resulted in the preferred securities and convertible debentures being classified as debt rather than equity. See note 2(b) to the consolidated financial statements.

On December 17, 2004, Cameco redeemed its 8.75% preferred securities, due September 30, 2047, in the principal amount of $125 million (US). The redemption of the principal amount plus accrued and unpaid interest was funded with lower-cost commercial paper.

At December 31, 2004, total long-term debt was $519 million, a decrease of $87 million compared to December 31, 2003. At December 31, 2004, Cameco's consolidated net debt to capitalization ratio was 13%, down from 22% at the end of 2003.

Investments

Cameco has a number of investments in publicly traded entities. The following table illustrates the book and market values for its more significant holdings as of December 31, 2004.

Investments ($ millions)	Book Value	Market Value
Centerra Gold Inc.	$ 436	$ 845
UEX Corporation	8	81
Energy Resources of Australia Ltd	18	79
Total	**$ 462**	**$ 1,005**

Off-Balance Sheet Arrangements

In the normal course of operations, Cameco enters into certain transactions which are not required to be recorded on its balance sheet. These activities include the issuing of financial assurances, derivative instruments and long-term product purchase contracts. These arrangements are discussed in the following sections of this MD&A and the notes to the financial statements:

1. **Financial assurances** – disclosed in Nuclear Electricity Business on page 26, Liquidity and Capital Resources on page 42, Business Risks and Uncertainties on page 50 and in notes 6, 7 and 16 of the consolidated financial statements.

2. **Derivative instruments** – disclosed in Uranium Business on pages 16-17, Business Risks and Uncertainties on pages 46-47, Critical Accounting Estimates on page 52 and in note 22 of the consolidated financial statements.

3. **Long-term product purchase contracts** – disclosed in Uranium Business on page 15, Liquidity and Capital Resources on page 42 and in note 21(d) of the consolidated financial statements.

CONSOLIDATED OUTLOOK FOR 2005

In 2005, consolidated revenue is expected to grow by about 10% over 2004 due to increases in the uranium and gold businesses. On a consolidated basis, the gross profit margin is projected to improve from the 23% reported in 2004.

In the uranium business, revenue is likely to be significantly higher due to a stronger realized price and increased volumes. Revenue from the conversion business is likely to be marginally higher than in 2004 due to an expected 5% increase in the average realized selling price, largely offset by lower deliveries.

Bruce Power results in 2005 are anticipated to decline modestly from 2004 due to increased costs related to higher depreciation and amortization on the A units, higher outage costs and higher fuel costs.

Revenue in the gold business is expected to be higher due primarily to a full year of consolidating the results from Kumtor, a wholly owned subsidiary of Centerra. However, gold results are anticipated to decline in 2005 from 2004 due to higher costs as a result of expected lower grades at Kumtor.

In 2005, total capital expenditures are expected to more than double to $300 million. Capital expenditures are classified as growth or sustaining. Growth capital is defined to be capital spent to bring on incremental production. Everything else is sustaining capital. Cameco expects it will have sufficient debt capacity and cash from operations to fund our capital expenditure program.

For growth projects, total expenditures are projected to be $167 million, an increase of $118 million compared to 2004. The increase is attributable to:

- development activity at Cigar Lake and Inkai,
- construction of the slightly enriched uranium (SEU) blending facility at Port Hope, and
- expansion of production capacity at McArthur River and US ISL mines.

Expansion at McArthur River, producing SEU at Port Hope and development at Inkai are subject to regulatory approvals.

Sustaining capital expenditures are expected to be higher in 2005 than in 2004 due to ongoing mine development work, pumping and water treatment projects at McArthur River, and well field expansions at the US ISL operations. Sustaining capital expenditures will also increase at conversion services to improve production processes and meet new regulatory requirements.

Capital Expenditures* *(Cameco's share in $ millions)*	**2005 Plan**	**2004 Actual**
Growth Capital		
McArthur River	$ 4	$ 2
US ISL	3	5
Cigar Lake	114	28
Conversion Services	20	5
Inkai	26	9
Total Development	**$ 167**	**$ 49**
Sustaining Capital		
McArthur River/Key Lake	$ 42	$ 34
US ISL	22	10
Rabbit Lake	16	7
Conversion Services	32	9
Other	1	2
Total Sustaining	**$ 113**	**$ 62**
Capitalized interest	20	25
Total	**$ 300**	**$ 136**

* The table excludes expenditures in the gold business amounting to $30 million (Cdn) for 2005 and $12 million (Cdn) for 2004.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Financial liquidity represents the company's ability to fund future operating activities and investments. Some important measures of liquidity are summarized in the table below.

In 2004, Cameco redeemed all $125 million (US) of its outstanding 8.75% preferred securities. Cameco also replaced its revolving credit facility with a new $500 million, five-year, unsecured revolving credit facility.

Indicators Defined

Cash provided by operations reflects the net cash flow generated by operating activities after consideration for changes in working capital.

Liquidity Indicators	**2004**	2003	2002	2001	2000
Cash provided by operations ($ millions)	**228**	250	241	102	224
Cash provided by operations/net debt[1] (%)	**69**	48	66	20	50
Net debt[1]/total capitalization (%)	**13**	22	18	24	22

1 Total debt less cash and cash equivalents. Based on consolidated amounts.

Cash provided by operations to net debt indicates the company's ability to meet debt obligations from internally generated funds. Cash provided by operations does not include Cameco's pro rata interest in Bruce Power's operating cash flow of $139 million in 2004 compared to $117 million in 2003. Cameco accounts for this investment using the equity method and thus Bruce Power's operating cash flows are not consolidated with Cameco's. For further information, refer to note 16(c) of the consolidated financial statements.

Net debt to total capitalization measures the company's use of financial leverage. A lower percentage means less reliance upon debt as a source of financing. Although debt is a lower cost form of financing compared to equity, a lower percentage of debt also represents lower repayment obligations. At December 31, 2004, the consolidated cash balance totalled $190 million and Centerra held substantially the entire amount for its own use.

Credit Ratings

As of February 2005, the company has the following ratings for its senior debt from third-party rating agencies:

- Dominion Bond Rating Service Limited
  "A (low)" with a stable outlook.
- Moody's Investors Service
  "Baa1" with a stable outlook.
- Standard & Poor's
  "BBB+" with a stable outlook.

Debt

In addition to cash flow from operations, debt is used to provide liquidity. Cameco has access to about $740 million in unsecured lines of credit.

Commercial lenders have provided a $500 million five-year, unsecured, revolving credit facility, available until November 30, 2009, with annual extension provisions. Up to $100 million of this facility can be used to support letters of credit. The facility ranks equally with all other senior debt of the company. At December 31, 2004, there were no amounts outstanding under these credit facilities.

Contractual Cash Obligations As at December 31, 2004 ($Cdn millions)	**Total**	**Due in less than 1 year**	**Due in 1 to 3 years**	**Due in 4 to 5 years**	**Due after 5 years**
Long-term debt[1]	546	—	150	166	230
Other liabilities	20	17	1	1	1
Unconditional product purchase obligations[2,3]	1,086	159	284	243	400
Total contractual cash obligations	1,652	176	435	410	631

1 Includes the unamortized value of the conversion option associated with the convertible debentures. See note 6 to the consolidated financial statements.

2 Denominated in US dollars. Converted to Canadian dollars at the December 31, 2004 rate of $1.2036.

3 Virtually all of Cameco's product purchase obligations are under long-term, fixed-price arrangements.

The company may borrow directly from investors by issuing commercial paper up to $400 million. To the extent necessary, Cameco uses the revolving credit facility to, among other things, provide liquidity support for its commercial paper program. Commercial paper outstanding at December 31, 2004 amounted to $166 million.

Cameco also has agreements with various financial institutions to provide up to $243 million in short-term borrowing and letter of credit facilities. These arrangements are predominantly used to fulfill regulatory requirements to provide financial assurance for future reclamation of the company's operating sites. Outstanding letters of credit at December 31, 2004 amounted to $204 million. See Business Risks – Reclamation and Decommissioning in this MD&A and note 7 to the consolidated financial statements.

Commercial Commitments (as at December 31, 2004)	($Cdn millions)
	Total amounts committed
Standby letters of credit[1]	204
Bruce Power guarantees[2]	130
Bruce Power investment[3]	7
Total commercial commitments	**341**

1 The standby letters of credit maturing in 2005 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's mining and conversion facilities. As such, the letters of credit are expected to remain outstanding well into the future.

2 At December 31, 2004, Cameco's total commitment for financial assurances given on behalf of Bruce Power is estimated to be $130 million. See note 16 to the consolidated financial statements.

3 Under its initial 15% partnership interest, Cameco agreed to invest up to $100 million in Bruce Power. To the end of 2004, Cameco had invested $93 million in the partnership.

Cameco has operated within the investment grade segment (high credit quality) of the market when obtaining credit. The cost, terms and conditions under which financing is available vary over time. While future access to credit cannot be assured, it was readily available during 2004.

Debentures

Cameco has $50 million outstanding in senior unsecured debentures that bear interest at a rate of 7% per annum and will mature July 6, 2006. Cameco also has $100 million outstanding in senior unsecured debentures that bear interest at a rate of 6.9% per annum and will mature July 12, 2006.

Convertible Debentures

Cameco has $230 million outstanding in convertible debentures. The debentures bear interest at 5% per annum, mature on October 1, 2013, and at the holder's option are convertible into common shares of Cameco. The debentures are redeemable by the company beginning October 1, 2008 at a redemption price of par plus accrued and unpaid interest. See note 6 to the consolidated financial statements.

Debt Covenants

Cameco is bound by certain covenants in its general credit facilities. The financially related covenants place restrictions on total debt, including guarantees, and set minimum levels for net worth. As of December 31, 2004, Cameco met these financial covenants and does not expect its operating and investment activities in 2005 to be constrained by them.

2002 – 2004 CONSOLIDATED FINANCIAL HIGHLIGHTS

For the year ended December 31

(in millions $ except per share amounts)	2004	2003	2002
Revenue	1,048	827	748
Earnings from operations	125	75	73
Net earnings	279	208	47
- per common share (basic)	1.63	1.24	0.28
- per common share (diluted)	1.56	1.22	0.28
Cash provided by operations	228	250	241
Total assets	4,052	3,431	3,023
Long-term debt maturing within one year	—	4	6
Dividends per common share	$ 0.20	$ 0.20	$ 0.17

OUTSTANDING SHARE DATA

At December 31, 2004, there were 173 million common shares and one Class B share outstanding. In addition, there were 4.9 million stock options outstanding with exercise prices ranging from $5.00 to $33.23 per share. Cameco also had convertible debentures in the amount of $230 million outstanding at year end. This issue may be converted into a total of 10.6 million common shares at a conversion price of $21.67 per share. See notes 6, 9 and 17 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Cameco buys 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 Kitsaki Management Limited Partnership. Harry Cook, a director of Cameco, was the chair of this company and was also the Chief of Lac LaRonge Indian Band, which owns Kitsaki. In 2004, Cameco had paid Kitsaki subsidiary companies $23 million for transportation and catering services. Chief Cook has retired as Chief of the Lac LaRonge Indian Band as of March 31, 2005.

NON-GAAP MEASURES

In addition to disclosing results in accordance with Canadian generally accepted accounting principles (GAAP), Cameco also provides supplementary non-GAAP measures as a method to evaluate the company's operating performance.

Adjusted Net Earnings

The measure "adjusted net earnings" for 2004 excludes the earnings impact of the transactions related to the Centerra restructuring. The restructuring allowed Cameco to recognize an increase to net earnings of $94 million ($0.55 per share).

The measure for 2003 excludes the effect of changes in Canadian federal and Ontario provincial tax laws. Together, the changes in the tax legislation allowed Cameco to recognize a reduction in deferred income taxes of $81 million ($0.48 per share).

Cameco believes the exclusion of these items provides a more meaningful basis for period-to-period comparisons of the company's financial results.

Total Cash Cost

This MD&A presents information about total cash cost of production of an ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs, as determined using the industry standard published by the Gold Institute, by gold ounces produced for the relevant period. The Gold Institute is a nonprofit international association of miners, refiners, bullion suppliers and manufacturers of gold products, which has developed a standard format for reporting costs on a per ounce basis.

Total cash costs, as defined in the Gold Institute standard, include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs and capital, development and exploration.

Total cash cost per ounce has been included because certain investors use this information to assess performance of Cameco's gold segment. The inclusion of total cash cost per ounce enables investors to better understand year-on-year changes in production costs, which in turn affect profitability and cash flow.

Reconciliation of Cash cost per ounce to Cost of Sales
($ million except where noted)

	$US	$Cdn
Cost of sales as reported	$ 109.9	$ 143.3
Adjust for		
Refining Costs	1.9	2.5
Byproduct	(0.2)	(0.3)
Non-operating Costs	(1.1)	(1.4)
Inventory Movement	12.6	16.4
Pre-acquisition costs	42.3	55.3
Total Cash Costs 100%	$ 165.4	$ 215.8
Ounces Poured (thousand)	875.3	875.3
Total Cash per ounce ($/ounce)	$ 189	$ 247

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2004, Cameco adopted two new accounting policies. The first change was related to accounting for financial instruments and the second was related to hedging relationships. See note 2(b) of the consolidated financial statements.

Effective January 1, 2004, Cameco adopted the amendments to CICA Handbook Section 3860, Financial Instruments. This change in accounting policy was applied retroactively and, accordingly, the consolidated financial statements of prior years were restated. The main result of this change was to classify Cameco's convertible debentures and preferred securities as debt whereas they had been reflected as equity in the past. The amendments to this section were required by the CICA to be implemented for the 2005 fiscal year. However, Cameco chose to adopt the amendments early because it believed the result was a fairer representation of the nature of its financial instruments.

Effective January 1, 2004, Cameco adopted the new Canadian Accounting Guideline, Hedging Relationships, which establish new criteria for hedging relationships in effect on or after January 1, 2004. The adoption of this accounting guideline was mandated by the CICA.

RISK MANAGEMENT

Cameco has developed and implemented a systematic process to qualitatively identify and report risks of corporate significance to senior management. The enterprise risk management (ERM) process requires corporate risk owners to periodically review the significant risks in their areas of responsibility and report on the effectiveness of the controls in place. This information is maintained in a corporate risk register, which is updated at least annually, or as new risks are identified. Regular reports on the ERM program status are made to management, and the risk register is used to inform the corporate audit programs. Management periodically identifies risks that require a more detailed examination of their controls. A discussion of Cameco's areas of potential risk follows.

BUSINESS RISKS AND UNCERTAINTIES

For a more detailed discussion on risks and uncertainties, see the company's 2004 annual information form.

Financial Risk

Cameco's financial condition is influenced by operational performance and by a number of market risks. The most significant of these risks are fluctuations in market prices and sales volumes of uranium, conversion, gold and electricity, foreign exchange rates and unit costs of production. Risk management strategies are employed to assist in identifying and mitigating these and other risks.

Uranium Prices

Because the majority of the company's revenues are derived from the sale of uranium and uranium products, the company's net earnings and operating cash flows are closely related and sensitive to fluctuations in the long-and-short term market price of U_3O_8 and for uranium conversion services. Historically, these prices have fluctuated and have been and will continue to be affected by numerous factors beyond the company's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries, such as Canada, the US and Russia and other republics of the Commonwealth of Independent States; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; and production levels and costs of production in countries such as Russia and other republics of the CIS, Africa and Australia.

The company reduces its exposure to short-term volatility in uranium prices by maintaining a long-term contract portfolio that is diversified by price mechanism, delivery date and customer. About 60% of Cameco's contract portfolio has been priced in relation to the spot or long-term price indicators in effect at or near the time of delivery. The remaining 40% has been sold at a fixed price (usually adjusted for inflation) over the term of the contract. The company's sensitivity to changes in the uranium spot price is noted in the section entitled "Uranium Price Sensitivity Analysis 2005 to 2008" in this MD&A.

Although Cameco employs various pricing mechanisms within its sales contracts to manage its exposure to price fluctuations, there can be no assurance that such a program will be successful.

Limited Number of Customers

Cameco relies on a small number of customers that purchase a significant portion of the company's uranium concentrates and conversion services. For example, Cameco's five largest customers are expected to account for 41% of the company's contracted supply of U_3O_8 for 2005 through 2007. This compares to 42% of the contracted supply of U_3O_8 for 2004 through 2006.

For the period 2005 through 2007, Cameco's five largest UF_6 conversion customers are anticipated to account for approximately 37% of the company's contracted supply of UF_6 conversion services. Cameco is currently the only commercial supplier of UO_2 for use in Canadian Candu heavy water reactors with sales to its largest customer, OPG, accounting for approximately 31% of the Company's UO_2 sales in 2004. The loss of any of these large

customers, or any significant curtailment of purchases or lack of timely payments could have a material adverse effect on Cameco's financial performance.

Use of Derivatives

Cameco may use financial derivatives to assist in mitigating its exposure to fluctuations in gold price and foreign exchange rates. A derivative is entered into as a hedge against specific economic and transactional exposures. Cameco does not enter into derivative contracts for speculative purposes. However, derivatives bring with them an exposure to counterparty default.[1] As of December 31, 2004, Cameco's exposure is predominantly with counterparties that had credit ratings of A+ or higher. Accordingly, Cameco believes the risks of default are low and the benefits derived from using derivatives outweigh the risks.

Although the company seeks to manage its credit risk exposure in connection with financial derivatives, there can be no assurance that the company will be successful.

Foreign Exchange Risk

The US/Canadian foreign exchange rate at December 31, 2003 was $1.2924 and averaged $1.3015 during 2004. Most of the company's revenues are in US dollars with a majority of its costs in Canadian dollars. To reduce its currency risk, at December 31, 2004, Cameco had sold forward $748 million (US). These hedges are expected to yield an average exchange rate of $1.3010. The mark-to-market gain on these positions was $68 million (Cdn) at December 31, 2004 based on a year-end exchange rate of $1.2036.

Timing differences between the usage and designation of hedge contracts may result in deferred revenue or deferred charges. At the end of 2004, deferred revenue to be recognized in future years totalled $23 million.

Although Cameco utilizes a hedging program to manage its exchange rate exposure, there can be no assurance that such a program will be successful.

Political Risk

The company has diversified its political risk internationally. The Kumtor gold mine is located in the Kyrgyz Republic, a country formerly part of the Soviet Union. The mine is the largest foreign investment in the country and represented about 7% of the country's gross domestic product, 44% of export earnings and 40% of total industrial production in 2003, the latest date for which information is available. The importance of Kumtor in relation to the rest of the Kyrgyz economy has meant that Kumtor has maintained a very high profile within the country. This level of attention is not without risk; however, it has also been of benefit in ensuring continued efficient operations.

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[1] Counterparty default would occur if the other party in a derivative contract is unable to perform its obligations at the time of contract maturity, resulting in the intended hedge being of no value. This concern is addressed by dealing with a variety of counterparties and primarily only those of high credit quality and limiting the amount and duration of the exposure. A measure of default risk is the mark-to-market value of a hedge position. This value is the difference between the price at which a derivative contract was entered into and its current market value. A mark-to-market gain indicates that the company has that amount of value at risk should its counterparties default. A mark-to-market loss represents the amount of value Cameco would have to pay should the hedge position need to be settled immediately.

Cameco also owns a 60% interest in Joint Venture Inkai (JVI), which is developing a uranium mine in the Republic of Kazakhstan. Through KazAtomProm, the Republic of Kazakhstan owns the remaining 40% of JVI. Cameco has agreed to provide funding of up to $40 million (US) to JVI for project development of which $28 million (US) has been funded to the end of 2004. Test mining continued through 2004. The feasibility study was approved in 2005. To date, the Kazakhstan government has supported the project, but there is no assurance that support will continue for the project's duration.

Cameco also owns a 52.7% interest in Centerra, which owns 95% of the Boroo gold project in Mongolia. At Boroo, commercial production was achieved on March 1, 2004. The investment in Boroo may be exposed to adverse political developments that could affect the economics of the project. The Mongolian government has supported the project to date, but there is no assurance that support will continue for the project's duration.

Cameco's investment in these operations may be exposed to adverse political developments that could affect the economics of each operation. The company has made an assessment of the political risk associated with each of its foreign investments and has purchased political risk insurance to mitigate losses as deemed appropriate.

There can be no assurance that political risk insurance would continue to be available at any time or that particular losses Cameco may suffer with respect to its foreign investments will be covered by the insurance. These losses could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition if not adequately covered by insurance.

Insurance

Cameco purchases insurance to mitigate losses that may arise from certain liability and property risks. The cost of this insurance and the specific protection provided by the policies vary from year to year depending on conditions in the insurance market. Although general insurance market conditions continued to be difficult in 2004, renewed interest from underwriters in the mining sector resulted in the availability of more capacity at improved premiums.

Cameco believes that the insurance program it has in place continues to prudently address its major liability and property risk exposures.

Higher levels of uncertainty in the insurance market are expected to continue for at least a few more years. During this time, the availability of certain types of insurance coverage that Cameco has purchased in the past may be significantly reduced and/or the cost to acquire insurance may significantly increase.

Although Cameco maintains insurance to cover some of these risks and hazards in amounts Cameco believes to be reasonable, this insurance may not provide adequate coverage in all circumstances. No assurance can be given that Cameco's insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Also, Cameco may be subject to liability or sustain loss for certain risks and hazards against which Cameco cannot insure or which Cameco may elect not to insure because of the cost. This

lack of insurance coverage could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Operations Risk

Cameco's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, catastrophic accidents, labour disputes, blockades or other acts of social activism, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures, ground movements, tailings pipeline and dam failures, cave-ins, adverse mining conditions and underground flooding) and encountering unusual or unexpected geological conditions. Due to the unique nature of the deposits at McArthur River and Cigar Lake, technical challenges exist involving groundwater, rock properties, mining methods, radiation protection and ore handling and transport. The company also contracts for the transport of its uranium and uranium products to refining, conversion and enrichment facilities in North America and Europe, which exposes the company to transportation risks. Many of the foregoing risks and hazards could result in damage to, or destruction of, the company's mineral properties or refining or conversion facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of production from the company's mines or refining or conversion facilities or in its exploration or development activities, delay in or inability to receive regulatory approvals to transport its uranium and uranium products, or costs, monetary losses and potential legal liability and adverse governmental action. In addition, due to the radioactive nature of the materials handled in uranium mining, refining, conversion and transport, additional costs and risks are incurred by the company on a regular and ongoing basis.

Safety, Health and Environmental Risk

Cameco is subject not only to the normal worker health, safety and environmental risks associated with all mining and chemical processing, but also to additional risks uniquely associated with uranium mining, milling and conversion operations.

In 2001, to better manage these risks and to enhance its quality culture, Cameco embarked upon the design and implementation of an integrated quality management system (QMS). Program development continued in 2003. The QMS was implemented at Cameco's Canadian uranium sites to a degree that meets the CNSC requirements by the end of 2004. The complete QMS implementation at Canadian uranium operating sites and related head office requirements is scheduled to be finalized by the end of 2005. Cameco also continues to utilize an environmental management system at its operations. The company received its initial ISO 14001 certification at its Port Hope conversion facility in 2000, which in turn received its re-certification in 2003. The Blind River refinery was first certified in 2002 and successfully re-certified in January 2005. Certification was received at both the McArthur River mine and the Key Lake milling operation in 2003. Both of these sites are scheduled for re-certification in 2005.

Also in conjunction with the QMS program, Cameco is reviewing its existing health and safety management system, based upon principles similar to those in the ISO series of management systems and identifying ways to further implement it and integrate it with QMS. Work is under way to integrate the health and safety, environmental, and quality management systems into one integrated system at the corporate level in 2005. For 2004, on a combined basis, Cameco, its

subsidiaries and long-term contractors achieved an accident frequency of 0.32 lost-time accidents per 200,000 person hours worked, which was improved form 2003's 0.66.

Regulators must approve the startup, continued operation and decommissioning of many of Cameco's facilities. These facilities are subject to numerous laws and regulations regarding safety and environmental matters and the management of hazardous wastes and materials.

Significant economic value is dependent on the company's ability to obtain and renew licences necessary to operate. The Canadian Nuclear Safety Commission (CNSC) approved renewal of the operating licences for Key Lake and McArthur River on October 25, 2004 and they are valid until October 31, 2008.

Cameco continues to face challenges from the burden of increasing regulatory demands and costs from the CNSC, Canadian Environmental Assessment Agency, and other federal and provincial regulators. In particular, the lead regulator, CNSC, is increasing the regulatory burden as a result of the implementation of the Canadian Nuclear Safety and Control Act. In addition the CNSC and Environment Canada are calling for more stringent environmental monitoring and environmental performance, based on precautionary principles, of uranium mining and milling operations.

Operational changes are increasingly subject to regulatory approval that may include delays due to longer and more complex regulatory review and approval processes. These increasing requirements are expected to continue to result in higher administration costs and capital expenditures for compliance. The increasing complexity of the regulatory approval process reduces the flexibility of the company to make operational changes in a timely fashion.

Cameco expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of jurisdictions. The historical trend toward stricter environmental laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites and other environmental matters, each of which could have a material adverse effect on Cameco's exploration, operations or the cost or the viability of a particular project.

Cameco's facilities operate under various operating and environmental permits, licences and approvals that contain conditions that must be met and Cameco's right to continue operating Cameco's facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development, mining operations or refinery and conversion operations or material fines or penalties, all of which could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Reclamation and Decommissioning

The company actively plans for the closure, reclamation and decommissioning of its operating sites. Decommissioning and reclamation costs may increase over time due to increasingly stringent regulatory requirements. Periodically, Cameco re-estimates its total decommissioning

and reclamation costs, based on current operations to date, for its operating assets. At the end of 2004, the estimate was $237 million. The majority of such expenditures are typically incurred at the end of the useful lives of the operations to which they relate and, therefore, only a very small percentage of total estimated costs is expected to be incurred over the next five years. See note 7 to the consolidated financial statements.

At the end of 2004, Cameco's accounting provision for future reclamation costs totalled $167 million. To provide financial assurances for these costs, Cameco has provided letters of credit (LOCs), where required. Cameco's LOCs totalled $204 million at the end of 2004, of which $164 million was related to reclamation and decommissioning activities.

Since mid-2001, all Cameco's North American operations have in place letters of credit providing financial assurance, which are aligned with preliminary plans for site-wide decommissioning. Beginning in 1996, the company has conducted regulatory-required reviews of its decommissioning plans for all Canadian sites. These periodic reviews are done on a five-year basis, or at the time of an amendment to an operating licence, or if at renewal, there has been a material change to the site. Reclamation and decommissioning obligations represent unfunded liabilities of the company.

Electricity Business Risks

Through its interest in Bruce Power, Cameco is exposed to various business risks associated with the generation and marketing of electricity. The following discusses some, but not all, risks associated with this business.

In Ontario, political risk results from uncertainty over the future direction of government energy policies. This risk was amplified in late 2002 when the Ontario government abandoned the deregulation of the retail electricity market. Thus far, the wholesale market remains unregulated, but there can be no assurance that this will continue. Political risk is beyond the control of Bruce Power.

Of the remaining risks, the most significant is directly related to the operating performance of Bruce Power's generating assets. Bruce Power manages this risk through preventive maintenance to improve overall equipment reliability, by adopting more efficient operational processes and by improving employee performance at all levels.

Another category of risk is electricity price. Bruce Power mitigates this risk by entering into long-term, fixed-price supply contracts with reliable customers for the delivery of a significant portion of its annual generation. Electricity generated, but not covered by such contracts, is sold on the wholesale spot market and is subject to prices in effect at the time of delivery.

Most long-term supply agreements obligate Bruce Power to deliver electricity at a predetermined contractual price. Credit risk arises from these contracts. On the one hand, the counterparty must have the financial resources to take delivery and pay for contracted electricity. On the other hand, if quoted forward market prices exceed contracted prices, then the counter-party has the right, in most cases, to request financial assurance to mitigate the possibility that Bruce Power does not deliver the electricity as contracted. In such circumstances, Cameco's contingent obligations may increase if it is called upon to guarantee its share of Bruce Power's obligation.

To maintain the economic benefit of the electricity supply contracts, Cameco and its partners must have the financial ability to address this credit risk.

A further risk category relates to the transmission grid. The ability of Bruce Power to deliver electricity to its customers is dependent on the provincial transmission grid, owned and maintained by Hydro One, an Ontario provincial Crown corporation. Bruce Power's ability to deliver power to customers is also dependent on the inter-linked North American power grid. Any adverse conditions such as severe weather or inadequate maintenance that results in unreliable performance by the grid could cause significant financial loss to Bruce Power. Transmission grid risks are beyond Bruce Power's control.

Bruce Power's anticipated contribution to Cameco's financial results in a given year could be significantly impacted if the aggregate capacity factor is less than expected due to planned outages extending significantly beyond their scheduled periods or if there are one or more unplanned outages which, in aggregate, are for an extended period.

Bruce Power is subject to extensive federal regulation with respect to nuclear waste management. Failure to comply with such regulation could lead to prosecution and could subject Bruce Power to fines and other penalties, including the revocation of operating licences for its nuclear generation facilities.

The occurrence of any of these events could adversely affect Bruce Power's expected contribution to Cameco's financial results.

Cameco indirectly owns 31.6% of limited partnership interest in Bruce Power, and as a result, does not have control over the declaration and payment of cash distributions by Bruce Power.

CRITICAL ACCOUNTING ESTIMATES

Cameco prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. Management believes the following critical accounting estimates reflect its more significant judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion on property, plant and equipment is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated recoverable ore reserves. Estimates of lifetime production and amounts of recoverable reserves are subject to judgment and significant change over time. If actual reserves prove to be significantly different than the estimates, there could be a material impact on the amounts of depreciation and depletion charged to earnings.

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of the productive assets. Regulatory requirements and alternatives

with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves may result in a material change in the amount charged to earnings. Cameco accounts for its obligations associated with the retirement of tangible long-lived assets in accordance with CICA Handbook Section 3110, Asset Retirement Obligations.

Cameco assesses the carrying values of property, plant and equipment, and goodwill annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets or goodwill cannot be recovered, the unrecoverable amounts are written off against current earnings. Recoverability is dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable ore reserves. A material change in assumptions may significantly impact the potential impairment of these assets.

Cameco uses derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. As long as these instruments are effective, they have the effect of offsetting future changes in these underlying rates and prices. Future earnings may be adversely impacted should these instruments become ineffective.

Cameco operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. In calculating the income taxes, consideration is given to factors such as tax rates in the different jurisdictions, non-deductible expenses, valuation allowances, changes in tax laws and management's expectations of future results. Cameco estimates future income taxes based on temporary differences between the income and losses reported in its consolidated financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effect of these temporary differences is recorded as future tax assets or liabilities in the consolidated financial statements. The calculation of income taxes requires the use of judgment and estimates. If these judgments and estimates prove to be inaccurate, future earnings may be materially impacted.

ACCOUNTING CHANGE

In January 2005, Cameco revised the accounting for the non-routine and complex restructuring transactions that helped create Centerra Gold Inc., resulting in a restatement of the previously issued interim financial statements for the periods ended June 30, 2004 and September 30, 2004. The original accounting for these transactions had been carefully analysed and assessed by management and reviewed by our external auditors.

The change to the accounting for the restructuring transactions resulted from a final review in the course of preparing the year-end audited financial statements, when a decision was reached by management and our external auditors that a more appropriate basis of accounting for the transactions existed. Cameco has concluded that the use of a less appropriate method of accounting could be deemed to be the result of a significant deficiency in the design or operation of its internal controls regarding the application of generally accepted accounting principles and the review process of the implementation of accounting guidance.

In reassessing the practice that ultimately led to the change in accounting with respect to the restructuring transactions for Centerra Gold Inc., Cameco has determined that a corporate policy is required to formalize the current practice with respect to the review, assessment and conclusion on the accounting treatment for non-routine or complex transactions, changes in accounting policy and accounting decisions that involve significant application of professional judgment. This policy will include:

- Ongoing, regular monitoring of the appropriateness of existing accounting policies including emerging issues and trends,
- Management's responsibility to seek independent third-party advice with respect to accounting matters related to non-routine or complex transactions or areas involving significant professional judgment; and,
- Regular formal reports from management to the audit committee on current accounting policies, emerging issues and trends, non-routine or complex transactions and accounting matters involving significant professional judgment or estimates to enable the audit committee to strengthen oversight.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Statements contained in this document which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: volatility and sensitivity to market prices for uranium, electricity in Ontario and gold; the impact of the sales volume of uranium, conversion services, electricity generated and gold; competition; the impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental and safety risks including increased regulatory burdens; unexpected geological or hydrological conditions; adverse mining conditions; political risks arising from operating in certain developing countries; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including trade laws and policies; demand for nuclear power; replacement of production and failure to obtain necessary permits and approvals from government authorities; legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the electric utility industry in Ontario; Ontario electricity rate regulations; weather and other natural phenomena; ability to maintain and further improve positive labour relations; operating performance of the facilities; success of planned development projects; and other development and operating risks.

Although Cameco believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. Cameco disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ADDITIONAL INFORMATION

Additional information related to your company including Cameco's annual information form is available at www.sedar.com and www.cameco.com.

EXHIBIT 4

For fiscal years ended December 31, 2004 and December 31, 2003, KPMG LLP and its affiliates were paid by Cameco Corporation and its subsidiaries the following fees:

	2004	2003
Audit fees:		
Cameco – audit	$ 386,000	$583,000
Centerra – audit	400,500	—
Centerra – securities	275,000	—
	$1,061,500	$583,000
Audit – related fees:		
Proposed AIM Listing for AGR	—	$ 11,000
SOX 404 Scoping Project	75,000	—
Translation services	9,000	26,000
Accounting disclosure	14,000	23,000
Pensions and other	10,700	6,000
	$ 108,700	$ 60,000
Tax:		
Compliance	$ 83,800	$ 96,000
Planning and advice	55,400	127,000
	$ 139,200	$223,000
All other fees:		
Special investigation	—	$ 25,000
Total	$1,309,400	$897,000

Pre-Approval Policies and Procedures

As part of Cameco's corporate governance practices, under Cameco's audit committee charter, the audit committee is required to pre-approve the audit and non-audit services performed by the external auditors. Unless a type of service is to be provided by the external auditors receives general pre-approval, it requires specific pre-approval by Cameco's audit committee or audit committee chair, or in the absence of the audit committee chair, a member of the audit committee as designated by the audit committee. 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.

EXHIBIT 5

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report dated January 26, 2005, except as to note 21(a) which is as of February 28, 2005, in the Annual Report on Form 40-F of Cameco Corporation for the year ended December 31, 2004. We also consent to the incorporation by reference of such report in the registration statements (Nos. 333-11736 and 333-6180) on Form S-8 for the Cameco Corporation Stock Option Plan.

/s/ KPMG LLP

Saskatoon, Canada
January 26, 2005

Chartered Accountants

EXHIBIT 99.1

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 annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers 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)) for the registrant and we 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant'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 annual report based on such evaluation; and

   c) disclosed in this report any change in the registrant'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 registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: March 15, 2005

/s/ Gerald W. Grandey
Gerald W. Grandey
President & Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 99.2

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 annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers 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)) for the registrant and we 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 registrant, 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) evaluated the effectiveness of the registrant'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

   c) disclosed in this report any change in the registrant'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 registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: March 15, 2005

/s/ O. Kim Goheen
O. Kim Goheen
Senior Vice-President & Chief Financial Officer

EXHIBIT 99.3

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, 2004, as filed with the 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
Gerald W. Grandey
President & Chief Executive Officer

March 15, 2005

EXHIBIT 99.4

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, 2004, as filed with the 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
O. Kim Goheen
Senior Vice-President & Chief Financial Officer

March 15, 2005